

Report on non-financial
information of the PZU Group and PZU SA in

2018

“The New PZU –

How are we building a new approach to client relations? What type of
potential do we have? How are we creating shared value?”

Integrated report of the PZU Group and PZU SA in 2018
according to the IRC guidelines and GRI standards



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Approach to reporting and methodology

The PZU Group Integrated Report comprises data for the period from 1 January 2018 to 31 December 2018 and is the second report of this type prepared by the Group. This is part of the overall strategy aiming to understand and improve CSR results and cultivate relations with key stakeholders. [\[GRI 102-50\]](#)

In accordance with the requirements of the Accounting Act, the PZU Group's Integrated Report for 2018 constituting a non-financial information report and consolidated data pertaining to the PZU Group and PZU, its parent company in line with the structure of the organization included in the Consolidated Financial Statements for the year ended 31 December 2018. The data from PZU Życie, Alior Bank Group, Bank Pekao Group, Link4, AAS Balta, AB Lietuvos draudimas and PrJSC IC PZU Ukraine are consolidated and presented in the PZU Group data. Alior Bank and Bank Pekao, in turn, have decided to present separately, as part of their Management Board Activity Reports, separate disclosures on non-financial data, as public interest entities. Alior presented them also in the consolidated form. The Health Area (PZU Zdrowie as the parent company), Armatura Kraków and PZU CO (CIG) are not public interest entities hence they are not subject to separate regulatory obligations regarding disclosure of non-financial data. Information regarding these companies and the other PZU Group companies has been incorporated and presented in the consolidated data showcased in the report. [\[GRI 102-45\]](#)

The GRI Standards indicators presented in the report apply to PZU and PZU Życie (unless stated otherwise). According to the regulations pertaining to the disclosure of non-financial data in each area for management, at least one indicator has been presented in consolidated form for the PZU Group (more than 50 Group companies).

Key to the iconographics used in the report:

INSURANCE

HEALTH

INVESTMENTS

BANKING

BEST PRACTICES
IN PZU

COMMENT MADE
DURING A DIALOGUE
SESSION

- [\[XXX-X\]](#) THE GRI STANDARD INDICATORS
- [\[UoR\]](#) ACCOUNTANCY ACT REQUIREMENTS
- [\[IIRC\]](#) GUIDELINES FOR IIRC INTEGRATED REPORTING





Paweł Surówka
CEO of PZU



"The issue of the entity's market attractiveness will always interest us above all from the vantage point of investors. I would like to consider together what else PZU can do to ratchet up its attractiveness in the eyes of the average investor, also in a non-financial context."

Comment made during a dialogue session

[GRI 102-14] Dear Investors,

We are the largest insurer in Poland with assets of PLN 329 billion. We offer our services to the residents not just of large and medium-sized cities but also of small towns and villages across Poland. Without clients, their trust and faith in the tenet that we are the best experts in what we do, PZU would not have existed in the past, nor would it exist today.

That is why our business model – which has been described at length in the strategy entitled "The New PZU – More Than Insurance" – places clients at the forefront. We are no longer just an insurer; instead, we are turning into a service company. The most important attributes under this viewpoint are trust and credibility in the eyes of our clients and investors. 2018 was a year in which we made the first decisions to convert our strategic objectives into specific measures. The

quality and frequency of our client interactions are among the things that have change. It is our endeavor to improve this process incessantly. We have created, among other things, a process forming a Closed Loop of Improvements enabling us to check at every stage our clients' experience in interactions with PZU and rapidly orchestrate changes for the better where they are needed.

To respond to client needs better we are tapping into the most sophisticated technologies. An important event that took place last year aligned to the strategic emphasis placed on digital innovations in the company involved the launch of the myPZU portal. The modified website provides clients with easy access to all products and services to an extent that has not been heard of to date. Additionally, we have significantly simplified the language in which we communicate with clients and how we portray our offer.

Our group has enormous data files – we believe that we will achieve success by tapping into our skills of quickly and effectively analyzing data and relying on them in our daily business activities. Solutions rooted in artificial intelligence and robotics most assuredly belong to the types of technology that will radically alter the functioning of many insurance areas in PZU. In our offices and server rooms today we can gradually perceive a world that a mere few years ago appeared to be a utopia. We implemented Robotic Process Automation in the Group in 2018, namely software that unilaterally operates existing systems and applications. We have now rolled out our initial, fully robotic processes. PZU's robots, among other tasks, update litigation provisions for the Claims and Benefits Handling Department.

We are elated that the sales of our services are on the rise; however, we do not want to sell them at all cost. Responsibility and transparency continue to be the fundamental criteria used in the Group's offer. We are confident that only in this manner may we build the type of value in which we are the most interested – long-term partnership relations and client trust calculated to last for decades. We also guarantee the safety of the data entrusted to us – all the Group companies have successfully implemented the policies ensuing from the General Data Protection Regulation (GDPR).

Our social commitment plays a major role in cultivating client relations. PZU is strongly involved in safety-related prevention projects. In 2018 the Group spent PLN 66 million on prevention and sponsoring activities. We want to help, and we know how to do that, not just nationally, but also locally. An excellent example of this type of thinking is the exceptional program entitled Helping is Power in which we encourage all small organizations to put forward their ideas on how to enhance safety and health in local communities.

We have set the bar very high for our competition; we set the trends and we are entrenching our position as the largest insurer in Poland. However, we remember that this honorable place has not been given to us forever. How long we stay at the summit and how far behind we leave the competition is something that depends solely on us. Employees are the PZU Group's most important factor of success. Our new strategy and our bold plans would have no chance of success without a professional and cohesive team. Nevertheless, I am filled with optimism because I know what type of people I am working with - I see how much heart and commitment they are pouring into these projects. I have also been of the opinion that PZU's

employees are the most valuable resource of this company – today I can reiterate that conviction.

Last but not least – the natural environment. A responsible PZU Group is an ecological Group. Starting with minor, day-to-day office issues and ending with large-scale investments worth tens of millions of Polish zloty, we invariably endeavor to implement solutions that protect nature, curtail environmental pollution and reduce the consumption of materials. We do not treat ecology like a fad or a caprice. It is a permanent fixture in the process of how we make strategic and tactical decisions across the Group.

In 2018 Poland was the first country in Central and Eastern Europe to advance to the group of developed markets in the international classification of FTSE Russel, the index agency. That means that Poland is one of the 25 most developed capital markets including countries such as the United States, the United Kingdom, Germany, France and Japan). It will be more difficult for companies from our market to compete for capital. That is why predictability, trust, responsibility and transparency are gaining traction. Investors in particular pay attention to the criteria for assessing investment risk in the field of ESG. Our uninterrupted membership in the RESPECT Index affirms the high quality of our projects in corporate governance, social, employee and ecological areas. However, we are not resting on our laurels - we constantly want to augment the Group's sustainable development standards. The CSR Strategy we adopted in 2018 will help us do this. The fact that it has become part of the New PZU business strategy emphasizes its significance.

This report that integrates financial and non-financial highlights from 2018 is a description of our policies, procedures, practices and actions in all the various areas of corporate social responsibility. I encourage you to peruse this report.

Respectfully,

Paweł Surówka,
President of the PZU Management Board, Supervisory Board
Chairman of Bank Pekao, Supervisory Board Chairman of PZU
Życie, Supervisory Board Chairman of PTE PZU

1. Management
1.1 On the PZU Group

[GRI 102-1],
The PZU Group is the largest financial institution in Central and Eastern Europe with assets of PLN 329 billion. The Group enjoys the trust of approximately 22 million clients in five countries.

PZU heads up the Group and is listed on the Warsaw Stock Exchange. Its traditions date back to 1803 when the first insurance company was established in Poland. Since its debut on the Warsaw Stock Exchange in 2010, PZU has been one of the most highly valued and most heavily traded public companies.

The Group’s Strategy innovatively defines the mission of all its companies and forms the common denominator for its present and future initiatives. In response to the rapidly evolving business environment PZU undertakes actions at a large scale while utilizing solutions afforded by the most sophisticated technologies.



„PZU is an exceptional company – there are few companies in the world that have such a large market share in their local market as PZU does in Poland. We have robust foundations to become a company that will set the global standards for the industry, and not just implement them.”

Paweł Surówka,
President of the PZU Management Board,
Supervisory Board Chairman of Bank Pekao,
Supervisory Board Chairman of PZU Życie,
Supervisory Board Chairman of PTE PZU

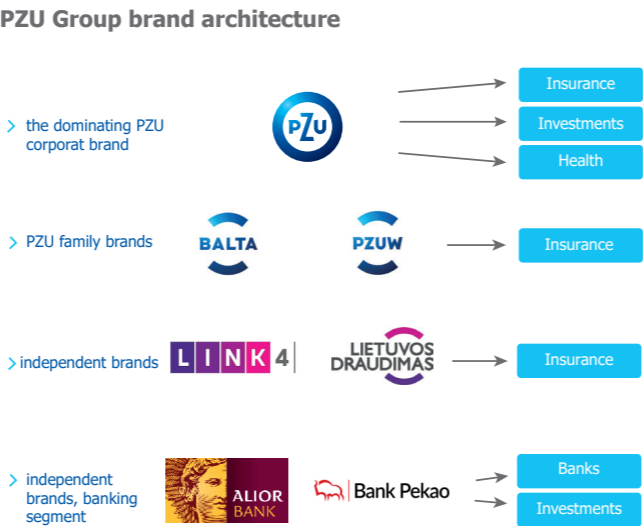
[GRI 102-2], [GRI 102-7]
The PZU Group’s key market advantages are rooted in its well-known and esteemed brand, largest client database and distribution network in Poland and strong capital base.

The PZU Group companies are active in life insurance (PZU Życie), non-life insurance (PZU), investment products (TFI PZU), pensions (OFE PZU), health protection (PZU Zdrowie) and banking (Pekao and Alior Bank).

The main brand used is the PZU corporate brand. Some 88% of all Poles recognize it spontaneously. Its aided recognition¹ is 100%². The PZU brand is used to identify the PZU Group, most of its companies operating on the Polish market (PZU, PZU Życie, PTE PZU, TFI PZU, PZU Pomoc, PZU Zdrowie, PZU Centrum Operacji), as well as some of the international companies – the Ukrainian companies and the branch in Estonia.

In the PZU Group’s architecture, there is also a group of PZU family brands. This family is formed by companies whose names do not reference the parent company brand, such as AAS Balta. However, their logos look similar to the corporate brand.

The last level of brand architecture is the independent brands group. This category includes the brands within the PZU Group whose names and visualization differ from the corporate brand, such as LINK4.



¹ Percentage of the target group declaring familiarity with the brand after the pollster reads it aloud.
² Recognition of the PZU and PZU Życie brand, Study conducted by the GfK Polonia institute, 2018

[GRI 102-4], [GRI 102-6] Markets where the PZU Group operates



-
- POLAND**
- Non-life insurance
 - Powszechny Zakład Ubezpieczeń SA
 - Link4 Towarzystwo Ubezpieczeń SA
 - Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych
 - Life insurance
 - Powszechny Zakład Ubezpieczeń na Życie SA
 - Banking services
 - Pekao Group
 - Alior Bank Group
 - Medical services
 - PZU Zdrowie and subsidiaries
 - Management of pension funds
 - Powszechne Towarzystwo Emerytalne PZU SA
 - Creation, representing and management of mutual funds
 - Towarzystwo Funduszy Inwestycyjnych PZU SA
 - Pekao TFI SA
- LITHUANIA (Lietuvos Draudimas AB also has a branch in Estonia)**
- Non-life insurance
 - Lietuvos Draudimas AB
 - Life insurance
 - UAB PZU Lietuva Gyvybes Draudimas
- UKRAINE**
- Non-life insurance
 - PrJSC IC PZU Ukraine
 - Life insurance
 - PrJSC IC PZU Ukraine Life Insurance
- LATVIA**
- Non-life insurance
 - Apdrošināšanas Akciju Sabiedrība Balta



AWARDS:

Business:

PZU: Trustworthy Brand



PZU: Friendly Insurance Company



PZU: Paweł Surówka - Insurance Manager of the Year 2018



PZU: First place in the Insurance Indemnity Fund's Data Quality ranking in 2018



Innovations:

PZU: Customer Experience & Engagement, Customer Service in Sign Language



PZU: distinction for the PZU GO project



TFI PZU: "Revolutionist" awarded for inPZU



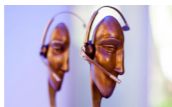
Alior Bank: IT Leader 2018



PZU: Ethical Company



PZU: Golden Handset "Excellent Client Communication"



PZU: Simple Polish Certificate



LINK4: Ethical Standards Ombudsman



Alior: The Heart - Corporation Innovation Awards 2018



Pekao: PeoPay, the Most Innovative Product in the World



Marketing:

PZU: Top BRAND (position in the media)



PZU and LINK4: the most admired insurance brand creation, 1st and 2nd place



LINK4: Service Quality Start 2018



LINK4: Client's Golden Laurel for Discovery of the Year awarded for Link4Mama



PZU Zdrowie: Healthy Company



Pekao: Best Investment Bank in Poland



HR:

PZU: Top Quality HR



PZU: Top Quality Apprenticeships and Internships



LINK4: Great Place To Work



LINK4: Human Capital Investor



Pekao: Best Private Bank in Poland



Alior: Best Bank in Poland in 2018



Alior: Best Bank for Companies



Alior Bank: Newsweek's Friendly Bank 2018



LINK4: distinction for HR DREAM TEAM 2018



Pekao: Top Employer 2018



IR:

PZU: The Best Annual Report 2017 (main prize in the category "Banks and financial institutions")



PZU: Best IR Professionals in Poland (2nd place)



BEST PRACTICE



The Group cooperates with various industry leaders in the framework of strategic partnerships. To telecommunications and power sector companies PZU offers insurance of electronic equipment and assistance services for individuals and businesses.

In addition, the Group kicked off collaboration with PLL LOT and Allegro in 2018. The agreement with the Polish carrier pertains chiefly to PZU furnishing a full spectrum of insurance and services customized to the needs and expectations of the aviation firm’s clients such as travel insurance, assistance and concierge services. The insurance product called PZU Pomoc w Podróży LOT [PZU Assistance during Travel with LOT] has been available since November 2018. Clients may purchase this product when they buy their plane tickets.

The partnership with Allegro involves the sales and distribution of innovative, fully digital insurance products customized to the distinctive nature of the needs of buyers and sellers on the allegro.pl service. In addition, within the framework of its strategic partnerships, PZU offers a number of insurance agreements to business clients, including protection for Apple devices, assistance for Enea’s electricity clients, insurance for Innogy’s individual clients, medical care for clients of Calypso Fitness.


WHAT ROLE IS PLAYED BY INSURERS?

"Protecting the Polish economy, forging stabilization and a feeling of security among companies and private persons. Constant development would be impossible without that. Insurers attenuate uncertainty, protect assets and health, provide financial support in difficult circumstances. These actions mean that our standard of living is rising. Insurers are the third largest institutional investor in Poland. This industry invests billions of Polish zloty of assets in corporate bonds and equities, not just capital to grow businesses but also to finance public spending on health, education and infrastructure. Ratios best depict the industry's influence: more than 225 thousand

jobs in the industry and related sectors, with roughly a 2% contribution in Poland's GDP." – Jan Grzegorz Prądyński, President of the Management Board of the Polish Insurance Association, PIU

Source: Report entitled "How insurance is changing Poland and Poles, Report on the insurance industry's impact", PIU, Deloitte, 2017

„PZU strives not only to create trends but also to put forward specific and responsible business projects. We happily get involved in actions to benefit the local communities in which the Group's clients and employees function.”



Dorota Macieja, Management Board member of PZU Życie

Among all the Polish insurers the PZU Group offers its clients the largest sales and service network. It has 411 branches with convenient access across the country, 9.1 thousand tied agents and agencies, 3 thousand multi-agencies, nearly 1 thousand insurance brokers and electronic distribution channels. When it comes to bancassurance and strategic partnerships, the PZU Group collaborates with 13 banks and 21 strategic partners. PZU also has a claims handling system that operates efficiently.

The PZU Group’s clients in Poland have access to Bank Pekao’s distribution network (825 branches) and Alior Bank’s distribution network (202 branches, 8 Private Banking branches, 8 Regional Business Centers and 643 partnership centers (franchises)). Both banks have professional call centers and mobile and internet banking platforms.

BEST PRACTICE



Tightening cooperation with banks

The tightening of cooperation with the banks within the PZU Group (Alior Bank has been in the Group since 2015 and Bank Pekao since 2017) has opened up tremendous growth opportunities, especially in terms of integrating and focusing services on clients at every stage of their personal and professional development. The PZU Group assumes that in 2020 it will collect PLN 1 billion of additional written premium from cooperation with these banks and that they will acquire 1 million of the Group’s insurance clients. The first results of this cooperation are as follows: in bancassurance, PZU’s insurance of real properties owned by borrowers has been introduced for both Pekao’s and Alior Bank’s clients. In assurbanking, PZU supports the sales of a Pekao account in tens of its branches, while it launched a pilot project in 3 branches on 5 March 2018 where PZU employees are actively offering the Bank’s Przekorzystne Konto (Mega Beneficial Account).

In the Baltic States the PZU Group’s distribution network consists of approximately 1 thousand agents, 33 multiagencies and 390 brokers. PZU also cooperates with five banks and 14 strategic partners. In Ukraine insurance products are distributed through 700 agents and in cooperation with 14 multiagencies, 30 brokers, seven banks and eight strategic partners.

In addition, in **health** the PZU Group cooperates with more than 2,100 partner centers in 500 towns and cities in Poland and is steadily rolling out its own network consisting of more than 60 medical centers.

BEST PRACTICE



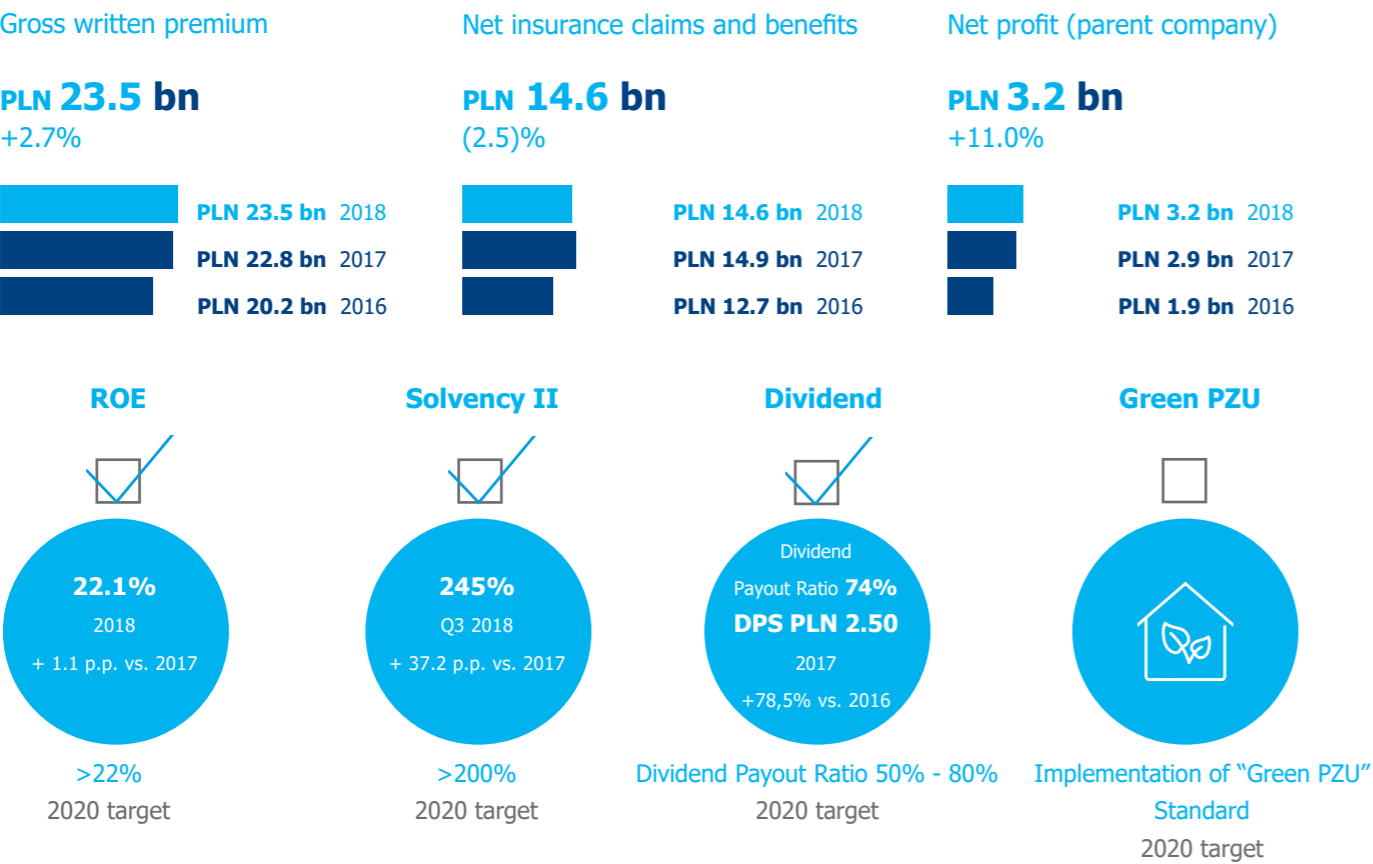
Development of the scale of operations of PZU Zdrowie

In 2018, 3 new PZU Zdrowie medical centers were opened: in Warsaw, Cracow and Poznań. Furthermore, the Gdańsk branch was expanded. The newly opened medical centers have a multi-specialization profile, to enable both patients benefiting from the medical care offered by PZU Zdrowie and patients who use the services rendered in these centers on an ad hoc basis to be provided with the necessary medical assistance.



1.2 PZU Group’s financial effectiveness

[GRI 201-1], [GRI 102-7] Direct economic value generated and shared.



Immediate economic value created and shared (data in m PLN)	2018
Revenue	38,047
Operating expenses net of payroll, the levy on financial institutions and community investments	(24,280)
Total employee benefits	(5,109)
Income tax	(2,098)
Levy on financial institutions	(1,092)
Voluntary contribution to invest funds in the community in a broad sense	(100)
Dividends paid to all shareholders	(3,818)
Retained economic value	1,550

The presented retained value is the remainder following the distribution of the generated economic value among the company’s stakeholders. This amount is not consistent with the net profit carried in the Profit and Loss Account because it also includes paid dividends (as distributed economic value).

"The Group's approach to recommendations concerning the dividend payout method ensuing from the Guidelines given to companies in which the State Treasury holds a stake"

Comment made during a dialogue session



The PZU Group has in place the Capital and Dividend Policy in 2016 – 2020, which was adopted in a PZU Supervisory Board resolution in 2016. According to this Policy, the PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for the parent company’s shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions. Moreover, when it recommends a dividend payout to the Shareholder Meeting, the PZU Group gives consideration to the recommendations and guidelines set forth in other documents applicable to PZU.



As a regulated company PZU submits to the guidelines set forth in the Communiqué published by the Polish Financial Supervision Authority pertaining to the assumptions underlying the dividend policy of commercial banks, cooperative banks and affiliation banks, insurance and reinsurance undertakings, brokerage houses, mutual fund management companies and pension fund management companies. PZU is also subject to the Guidelines of the Office of the Prime Minister regarding companies in which the State Treasury has an equity stake that draw up financial statements published in 2018 for the first time.



"Its robust results form the basis for continuing to share dividend payouts with shareholders. Under the #newPZU strategy we have committed to investors that we will recommend payouts to shareholders of the earnings we do not need to finance our rapid growth. We have kept that promise by recommending a dividend payment of PLN 2.50 per share from 2017 earnings. At the same time, we remember our strategic obligation for the amount of the Dividend Per Share (DPS) to grow from year to year in the long run."

Paweł Surówka, President of the PZU Management Board

More financial information is available in the Financial Report available on PZU’s website.



1.3 Business Model [UoR]

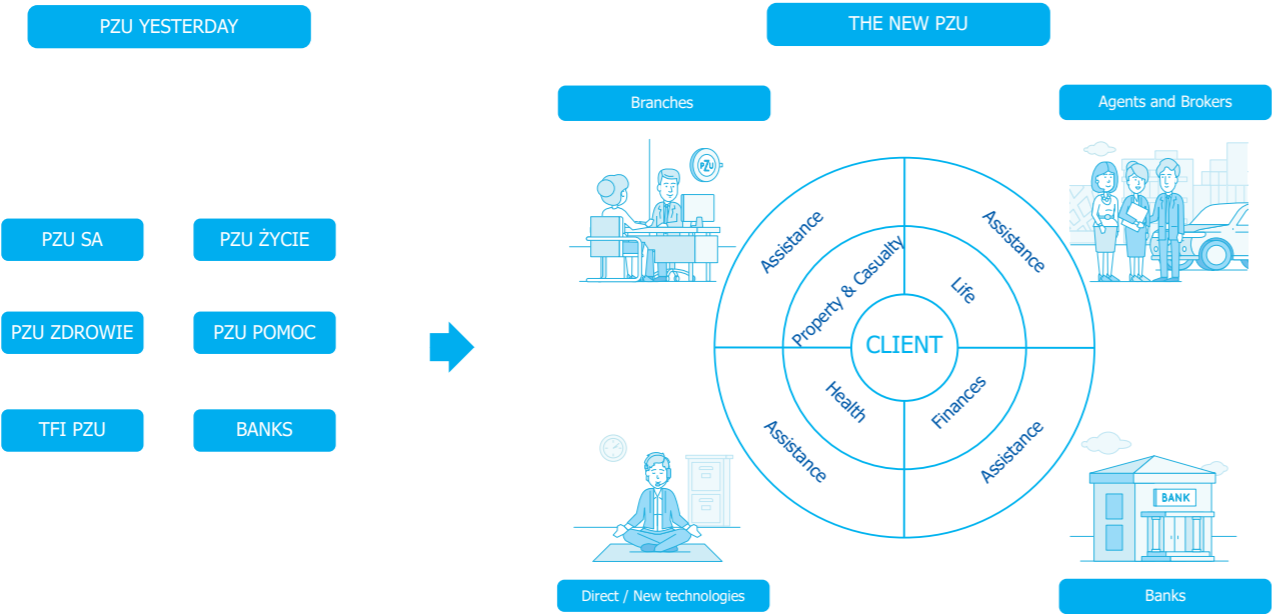


From the perspective of investors and other stakeholder groups that attach their interests to the company, it is important to know how the plans of the Group and its various companies are being shaped for the near future.

What kinds of synergies are there between the banking and insurance divisions in the PZU Group?
Comment made during a dialogue session

Directions of strategic business growth

New PZU - More Than Insurance



"In PZU we combine two things that appear to be in contradiction: simplicity of procedures and complexity of services. We want to manage the cultivation of our client relations as part of a system. The new approach defined in the strategy calls for the reconstruction and integration of all the company's client-facing areas. We endeavor to protect clients' lives, health, assets, savings and finance while at the same time offering transparent rules and simple and comprehensible communication. We believe that clients expect this type of complexity and appreciate having a service offer in a single venue."



Marcin Eckert - Managing Director for Corporate Matters in the PZU Group

Our client relationships and our knowledge of our clients are the PZU Group's core value, while our chief product is our acumen in addressing client needs to have a stable future. This approach has been defined in the "New PZU" strategy announced in 2018, which lays down the Group's new mission as "We help clients care for their future", which is an innovative and broader approach to establishing a long-term relationship with clients in a manner that greatly transcends insurance.

PZU's philosophy of thinking is driving the gradual transformation of the company's operating method from a typical insurer model (pricing and transferring risk) to the model of a service company specializing in utilizing data (risk management consulting and services as well as caring for the future of clients, retail and business alike). This new

formula blends all of the PZU Group's activities and focuses them on clients to support them at every stage of their lives.

PZU's operating model distinguishes its comprehensiveness. The Group operates in insurance (life, non-life), finance (banking, pension and investment products) and health (health insurance, insurance for medicine, medical service bundles).



"Having an efficiently operating health care system is one of the biggest challenges we are presently facing. On one hand the global population is on the rise while on the other hand in some countries, including Poland, we are facing the challenge of an aging society and the growing demand to provide care to elderly persons. Both situations mean that the supply of medical services is becoming insufficient. Technology is capable of eradicating differences in the quality of treatment and supplementing the health service system. We have observed in the PZU Group that technology may be one of the ways to enhance access to health services by offering greater system efficiency (telemedicine) or identifying cases that do not require visits to specialist physicians (symptom checker). By harnessing data and automatic solutions, it is possible to shorten lines (remote service), optimize procedures. At present, patients go through many phases from diagnosis to treatment, and these phases have nothing in common with treatment. Technology is capable of enabling physicians to concentrate on practical activities."

Maciej Kolek, Director of the PZU Group's Planning and Controlling Department, CFO of PZU Zdrowie

BEST PRACTICE



The Transformation project pertaining to the construction of an integrated network of proprietary medical centers in PZU Zdrowie is one example of executing PZU's new strategy. This project addresses one of the elements of PZU Zdrowie's Vision: "Integrated medical operator". Comprehensive activities – 55 initiatives in total – completed in 60 medical centers across Poland. The company implemented a consistent standard for patient handling and integrated its information systems. Benefits were also achieved by introducing shared medical purchases.



CHALLENGE

"What impact have the completed acquisitions exerted on the process of unifying the management standards in the various companies belonging to the corporate group? Can you share your diagnosis on which areas represent the key challenges for the Group?"

Comment made during a dialogue session



In connection with the PZU Group's development through acquisitions, it is necessary to create a system to ensure effective management of the overall corporate group while preserving the distinctiveness of its various companies and the separateness of the markets on which they operate.

Since 2010 the PZU Group's practice in terms of its corporate governance model and collaboration among its various entities is for representatives of PZU and PZU Życie in the supervisory boards of the group's main companies. That is why Paweł Surówka, CEO of PZU is the Supervisory Board Chairman of Bank Pekao; Tomasz Kulik, Management Board Member of PZU and PZU Życie, the CFO is the Supervisory Board Chairman of Alior Bank; while Roger Hodgkiss, Management Board Member of PZU and PZU Życie is the Supervisory Board Chairman of Link4. Since the supervisory boards constantly supervise the operations of the companies in all the areas of their operations, this solution ensures a uniform approach to governance standards in the key areas of the PZU Group's functioning.

On 21 March 2017 an agreement on the principles of cooperation in the PZU Group was executed. On top of PZU, its parties are 26 PZU subsidiaries. Pursuant to this agreement the parties have undertaken to act jointly within the scope of specific areas of cooperation. The total number of these areas is 24 until now: procurement, risk management, IT management, internal audit, the PZU Group’s strategy and project management, marketing and PZU brand management, legal advisory and assistance services, security management, HR management, corporate communication, tax policy, corporate governance in the PZU Group, actuarial services, accounting, planning and controlling, compliance, reinsurance, oversight over international companies, client experience management, claims and benefits handling, corporate social responsibility, tariff-related actuarial matters, analysis of the experience and tariff-setting for insurance and development of technology and sales tools.

- The scope of cooperation in a given area is specified in Group Policy and may involved the following in particular:
- Rules of cooperation between PZU’s pertinent Cells and entities;
 - Fundamental operating rules for cooperation;
 - Description of the tasks discharged by PZU’s pertinent cell in relation to entities and by entities in relation to PZU’s pertinent cell;
 - Scope of, and deadlines for, reporting applicable to the entities..

The decision to exclude banks (Alior Bank and Pekao) from the foregoing agreement was dictated by the different business nature of the banking entities and different sector regulations. Implementing PZU Group Policies directly in banking structures would require the incorporation of the distinctive nature of banking operations therein, including separate solutions pertaining to risk management, which might not be an optimum solution. That is also why the relations with banks in the PZU Group have been regulated on the basis of other arrangements. On 28 June 2016 (with Alior Bank) and 28 September 2017 (with Pekao), an agreement was executed to regulate cooperation and the exchange of information, among others, on reporting duties and accounting, planning and controlling, compliance and internal control, internal audit, risk and security.

Chinese walls are utilized in PZU’s organizational structure in PZU’s organizational units responsible for business processes

applicable to Alior Bank and Bank Pekao alike. The purpose of Chinese walls is to ensure the observance of the two banks’ legally protected trade secrets and limitation on the exchange of sensitive information concerning their business activity, also to ensure the separation of the flow of information obtained from PZU as the entity heading up the PZU Group, to procure compliance with the legal regulations pertaining to information subject to banking secrecy and other legally protected secrets.

A major challenge under unifying governance standards in the PZU Group was the implementation of a coherent and effective risk management system.

Having regard for the different business nature of the banking entities and the insurance entities, and their sectoral regulations, the direct application of the risk management system functioning in the insurance companies was not plausible. The challenge was to align the process so that the attainment of the PZU Group’s objectives in risk management would transpire while respecting the banking sector’s regulations, the independence of the entities within the understanding of the Commercial Company Code and equal access to information among all the shareholders of the banks. This alignment was crafted in full cooperation with both banks. Risk appetite in banking entities is a topic for consultation with the PZU Group’s parent company and the subject matter of opinions issued by the PZU Group Risk Committee with a view to ensuring consistency between the activities carried out by the banks and the strategic plans and business objectives of the PZU Group as a whole while maintaining an acceptable level of risk at the Group level. Once agreed, the level of risk appetite is then approved by the banking entities’ supervisory boards.

1.4 PZU Group’s value creation model [IIRC]

"I would eagerly learn more about the PZU Group’s role and impact on the local and global environment, or the economy, security and environment. In the previous report I missed impact ratios and a portrayal of the outcomes of the measures and initiatives undertaken."

Comment made during a dialogue session



"During the last 30 years a change has occurred in company valuation. Intangible assets presently account for 50 to 84% of enterprise value. We are conscious that analysts, investors and financial institutions ever more frequently take into account ESG factors (Environmental, Social, Governance) while observing long-term strategic plans, corporate governance, the shaping of dividend policy, the quality of relations with clients and other stakeholders as well as the product offering."

Robert Kubin, Supervisory Board Member of TFI PZU, Managing Director for Investments in PZU and PZU Życie

- IIRC distinguishes 6 types of capital:
- Financial capital - resource containing funds that arises by providing funding through loans or grants, or is generated through operating activity. These funds include shareholder funds, equity and external capital.
 - Intellectual capital – organization’s resource based on knowledge, experience, including among others intellectual property such as patents, copyrights, software, rights and licenses, the organization’s know how, motivation to improve and develop processes, leadership and cooperation and investments in new solutions and innovations facilitating development.
 - Human capital - competences, know how, skills, experience and motivation of employees to develop and innovate, including the capacity of grasping and implementing the organization’s strategy.
 - Social and relational capital – reputation, earned trust and the quality of relations with clients, communities and other stakeholders.
 - Infrastructural capital - physical objects used by the organization in the process of producing goods or rendering services (branches, centers) as well as the distribution network formed by agents, private persons conducting agency activity and other partners cooperating with the PZU Group.
 - Natural capital - renewable and unrennewable natural resources (including water, minerals and air) and processes whereby products or services are delivered.

What is the value creation model according to the international guidelines given by the International Integrated Reporting Council (IIRC)?
Integrated reporting makes it possible to combine material information pertaining to an organization’s strategy, approach to management, performance and future prospects in a way that reflects the financial, social and environmental context of an organization’s operations. The report depicts its approach to creating value over time while using the capital available to it. Capital is a resource which the organization can access and use to create value. Legally, however, it does not have to belong to the organization.

„An organization should portray value creation from the perspective of inputs, outputs and outcomes.”.
Source: <IR> framework, International Integrated Reporting Council



How does the PZU Group create value?

The PZU Group leverages its tangible and intangible resources to create value for its shareholders, clients, employees and agents, and exert an influence on the Polish economy and its sectors.

Financial

- PLN 328,554 million – consolidated assets
- PLN 14,952 million – Shareholders' equity
- PLN 6,061 million – Group bonds (Tier 2)
- PLN 206,909 million – bank deposits
- PLN 23,470 million – gross written premium (life insurance and property insurance)
- PLN 8.9 billion – gross written premium on motor insurance
- PLN 4.5 billion – gross written premium on non-motor property insurance
- PLN 6.9 billion – gross written premium on group and individually continued life insurance

Products and distribution

Broadest offer of insurance, investment and banking products in Poland

- 411 PZU branches, 825 Bank Pekao branches, 202 brick-and-mortar branches and 643 Alior Bank partner centers, mobile distribution channels
- 9.1 thous. tied agents and agencies
- 4.8 thous. hotline employees (PZU, PZU Zdrowie, LINK4, Alior, Pekao)
- ~20 main products with possible customization of the offer, and broad portfolio of medical services offered by PZU Zdrowie
- > 60 own medical centers and over 2,100 medical centers collaborating as part of PZU Zdrowie's network

HR

- > 41,000 employees of the PZU Group
- 68% women and 32% men
- 13% employed on management positions, 87% employed on other positions
- 95 employees employed in the Group's innovation centers

Intellectual

- 249,848 training hours in PZU and PZU Życie
- 24.9 training hours during the year per employee of PZU and PZU Życie (17 hours in 2017)
- PLN 281 million of investments in the Group (financial expenditures) for technological projects aiming at increasing innovativeness
- 5 innovation centers (PZU Innovation Laboratory, PZU LAB, LINK4 Business and Innovation Development Department, Alior Bank Innovation Center, Bank Pekao Innovation Laboratory)
- 42% executed projects involving technological changes in PZU and PZU Życie

Natural

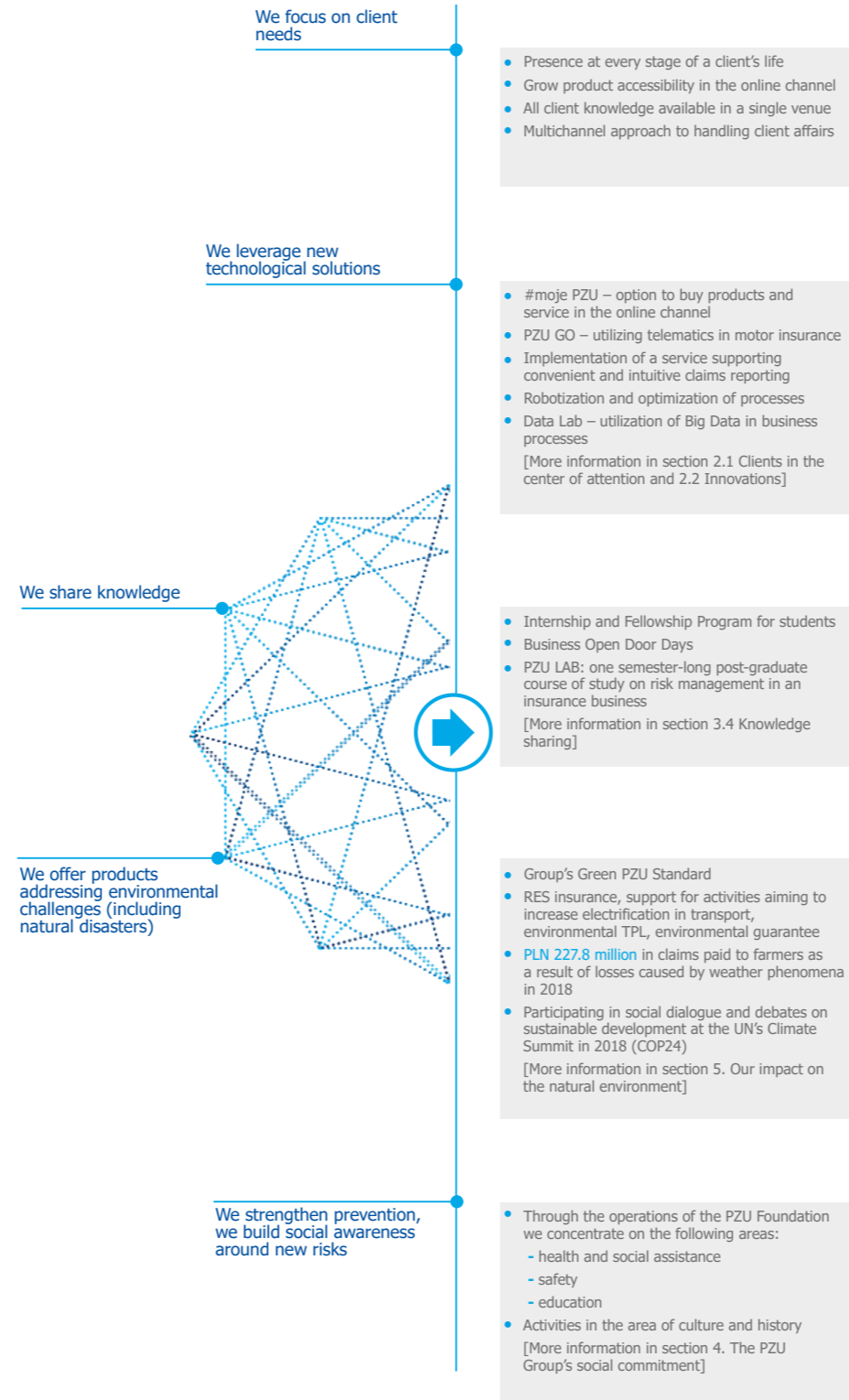
PZU Group's Standard – Green PZU showing the direct environmental impact of the conducted activity (including atmospheric emissions, waste generation, water consumption, power consumption and paper usage) as well as indirect (related to relations with third parties, including environmental practices of suppliers and business partners and shaping environmental awareness).

Social relations

- PLN 53.1 million transferred by PZU, PZU Życie and TUW PZUW for prevention activity
- PLN 12.9 million transferred by PZU and PZU Życie for sponsorship activity
- PLN 20.7 million transferred by PZU and PZU Życie for the activities of the PZU Foundation
- > PLN 3 million awarded under the nationwide prevention campaign called Helping is Power
- 630 PZU volunteers, 1130 Pekao volunteers and ~200 Alior volunteers
- 67,700 beneficiaries since 2012, who were assisted by PZU employees as part of voluntary work (11,992 in 2018)
- 460 prevention USG tests conducted in 2017 and 2018 as part of the PZU Foundation's Academy of Safety

What does that entail in practice?

At the same time, the PZU Group effectively utilizes scale of operations, innovativeness (products and services), more than 200 years of its experience and knowledge of client needs – today and tomorrow.



How outputs and impact are measured?

New, more integrated PZU Group will be able to help clients better at all stages of life and support sustainable development of the Polish economy.

Clients

- PLN 6,049 million of claims and benefits paid in life insurance (PLN 5,945 million in 2017)
- PLN 7,263 million of claims and benefits paid in non-life insurance (PLN 7,074 million in 2017)
- PLN 97.6 billion of bank loans extended to natural persons (PLN 89.4 billion in 2017)
- PLN 84.5 billion of bank loans extended to corporations (PLN 80.1 billion in 2017)
- 10.9 million people covered under life insurance
- PLN 117 billion of exposure under MOD insurance on vehicles (Group 3, 4)
- 100 thous. medical appointments made monthly by PZU Zdrowie
- 83.5% of the PZU Group's clients are satisfied with the claims and benefits handling process
- PZU Group's NPS of 6.4%
- 98.5%, 97.5%, 95.3%, 90% – complaints handling timeliness ratios for, respectively, PZU Życie, PZU, Alior Group and Pekao Group

Investors and shareholders

- 22.1% return on equity (ROE) for shareholders of the parent company (21% in 2017)
- PLN 2,159 million of dividend paid from PZU (PLN 1,209 million in 2017), PLN 2,074 million Pekao (PLN 2,278 million in 2017)
- PLN 7,087 million of the Group's operating profit (PLN 5,458 million in 2017)
- PLN 5,368 million of consolidated net profit (PLN 4,185 million in 2017)
- Insurance: 86.6% of profitability of non-life insurance – COR (89.3% in 2017)
- Insurance: 22.1% of operating margin in group and individually continued insurance (20.6% in 2017)
- Banking: PLN 5,266 million of net interest income
- Banking: PLN 1,571 million of net fee and commission income
- High level of security: 245% of Solvency II ratio for the PZU Group after Q3 2018 (208% in 2017)
- A-/stable rating awarded by S&P Global Ratings for PZU and PZU Życie – one of the highest possible ratings for a Polish company to receive, high ratings for Pekao and Alior
- Presence in the RESPECT Index - the index of socially responsible companies (PZU since 2012, Pekao since 2016)

Employees and agents

- 9.05% of rotation of PZU and PZU Życie employees
- 9.84% and 7.25% of internal vertical promotions for women and men respectively at PZU and PZU Życie
- 81.04% of employees holding additional medical insurance Opieka Medyczna funded by PZU
- 85.7% of employees of PZU and PZU Życie covered by the company EPP pension plans
- 711 agents in the Elite Agent Club
- 953 members of the PZU Sport Team, 18,761 kilometers run, 1,604 nautical miles sailed, 3,056 person-hours of training with skiing instructors

Central administration

- PLN 2,098 million of current income tax paid on the PZU Group's consolidated earnings
- PLN 1,092 million of banking levy
- financing the state budget's borrowing needs: PLN 65.7 billion - the value of Treasury Securities in the portfolio of PZU Group companies

Social environment

- 187 actions taken by the PZU Foundation to promote art and culture (845 is the number of all the actions)
- 4.5 million visitors cultural institutions supported by PZU
- 8,234 persons to whom support was provided under the PZU Foundation's grant Contest
- 18 thousand pupils participating in the PZU Foundation's Academy of Safety original project
- 539 pupils eligible to take part in the "Gifted Persons Aid Program" in the 2017/2018 school year
- 403 persons in a difficult situation who received subsidies for rehabilitation, purchasing medications and rehabilitation equipment from the PZU Foundation
- 117,980 participants of running events organized by PZU
- 222,857 hours worked by volunteer rescuers under cooperation with Mountain Volunteer Search and Rescue (GOPR)
- 3 prosocial campaigns for safety and health: Safe Holidays, Reflectors: keeping children safe on the road, Helping is Power
- 687 layette sets provided to children born on 11 November 2018 in connection with the 100th anniversary of regaining independence by Poland

* Data from 2018 unless indicated otherwise

* Data from 2018 unless indicated otherwise





"Nearly 100 people from across the overall PZU Group from all of its companies were involved in the integrated reporting process. This process necessitated the

broad engagement of the project team within the organization, bringing together representatives of the reporting, investor relations, strategy, risk, HR, sales, products, administration, communication and marketing divisions as well as the Foundation and prevention (CSR). Representatives of all staff levels – ranging from operational people aggregating data from systems, to middle management, to senior management took part in the process of supplying data, confirming these data, consultation and report acceptance and definition of the value creation model. We collected nearly 80 ratios and data. I would like to extend my thanks for engaging so many people. We hope that this has enabled us to meet your expectations to an even greater extent and earn your trust. We also have the ambition of utilizing this process so that it can become a source for improving the method of governing the organization and its ongoing transformation in the direction of 'integrated thinking' and 'sustainable development'"

Aleksandra Jakima-Moskwa, Investor Communication Coordinator, Integrated Reporting in the PZU Group Project Manager

1.5 CSR Strategy [IIRC]

Corporate Social Responsibility (CSR) - "the PZU Group is socially responsible - we endeavor to contribute as many positive values to relations with our stakeholders and the surrounding environment. Harmonious activity at all levels of our cooperation is not plausible without incorporating the rights and needs of the surrounding environment. We promulgate openness, we support empathetic values and we encourage people to participate in charitable campaigns. We support the civic attitudes of our employees."



PZU Group's policies [UoR]

[GRI 103-2], [GRI 103-3]

Ethics and corporate social responsibility are crucial to the PZU Group. The PZU Group's value growth should be aligned to the interests of the environment and rely on sustainable resource utilization. The firm strives to manage the many types of capital responsibly: financial, human, environmental and social.

In 2018 the PZU Group's corporate social responsibility strategy in 2018-2020 was ratified. This document along with "PZU Group's Best Practices" lays down the ethical principles and business standards that form its organizational culture and the attitudes of employees and agents in the work environment. This document is the foundation for the overall PZU Group's common values.

Objectives of the CSR Strategy:

- bringing order to the most important areas and principles of responsibility,
- defining ambitions, directions of activities and initiatives in reference to business and social challenges.

The PZU Group's corporate social responsibility focuses on key resources inside the company and in its surroundings. Client relations are the most important thing for the overall business strategy; that is why they form the point of reference for the initiatives being implemented.

The primary assumption of the CSR Strategy involves paraphrasing the PZU Group's new mission: "We care about the future to help our clients".



"The most important contents of the CSR Strategy have become an integral element of our business strategy. In the Group we know that corporate social responsibility is important to our partners while the outcomes of CSR activities exert an influence on our financials."

Dorota Macieja, Management Board member of PZU Życie





Governance – we are building our CSR position in the industry

The actions taken in this area concentrate on formulating the CSR policy within the PZU Group, defining objectives and strategic metrics and tending to the active and factual implementation of planned efforts.

Governance initiatives call for coordinating ventures and duties discharged by all the PZU Group companies. Every year the "PZU Group's non-financial report" is drafted. Its membership in the Respect Index, a stock index consisting of companies espousing corporate social responsibility, since 2012 also makes it possible to render an accurate and objective evaluation of the Group's CSR activities.

The Group's ambition is to ensure efficient and comprehensible internal communication regarding CSR-related values, objectives and practices. This should provide for appreciation of the planned activities and support from persons and units guaranteed in the execution of the CSR Strategy.

"New PZU" 2020 ambition
– Building its CSR position in the financial industry - Membership in the Respect Index of listed companies observing corporate social responsibility
> membership in the index at a minimum average level for the industry

Its result was lower than the average result in the financial industry. Among other things, this was the result of greater pressure on reporting at the Group level, i.e. including Bank Pekao and Alior Bank. Efforts will be taken in 2019 to streamline communication, thereby making it possible to report the required data to a broader extent.



We respond to the needs of our clients

The PZU Group endeavors to be a stable and trustworthy partner for its clients. That is why it plans to have long-term relations with them and attempts to anticipate their needs.

These assumptions are pursued in PZU and PZU Życie under the formula known as the Client Experience Management Program. Client opinions and satisfaction are monitored on an ongoing basis, in particular by running satisfaction studies on service and products and by examining complaints. Client experience maps are prepared to identify which elements of service are in need of repair.

"New PZU" 2020 ambition
– NPS (satisfaction) indicator for retail clients in insurance
> higher than the competition ☒
– indicator concerning the timeliness of examining complaints
95% up to 28 days ☒

Clients were once again inclined to recommend PZU to a greater extent in 2018 in comparison to the competition. Its NPS (Net Promoter Score) was 7.3 p.p. higher than the competition's. This score is to a large extent the outcome of a broad array of client satisfaction and loyalty studies, enabling us to satisfy client needs effectively and identify the organization's strengths and areas in need of modification and improvement.



We create an inspiring place of work

The PZU Group is striving to be the best employer on the markets where it renders services. Its objectives are as follows: being in the leadership position among the financial industry companies most frequently selected by people looking for employment, engaged and top of class staff on the market and maintaining a low level of turnover among the organization's top talents.

To achieve these goals the PZU Group:

- offers transparent development paths,
- facilitates employee development,
- advances entrepreneurship, innovation, team work and instils better quality in organizational culture,
- tweaks processes related to counteracting employee attrition,
- develops a program to retain key employees,
- offers a friendly environment and atmosphere and development opportunities, while at the same time guaranteeing respect for life-work balance.

"New PZU" 2020 ambition
– employee engagement rate
> 55%
– percentage of women in managerial positions
min. 50% ☒

The commitment index rose 5 p.p. in 2018 to 40%. The participation ratio was 73% (52% in 2017).



We manage our environmental impact with a sense of awareness

The PZU Group is devising its own environmental standard to define the key assumptions pertaining to its governance approach to environmental issues. They are embodied by these principles:

- sustainable development,
- high level of environmental protection,
- prudence and prediction of the possible adverse impacts of actions,
- prevention, prevention of pollution and its elimination at its source,
- inclusion of environmental protection elements into business policy and strategy,
- partnership, or the requirement for all PZU Group entities to take joint environmental protection actions.

"New PZU" 2020 ambition
– implementation of the "Green PZU" standard by 2020
complete implementation

In November 2018 the "PZU Group Standard - Green PZU" was enacted with detailed guidelines for planned implementation in the environment. They should be completed by the end of 2020.



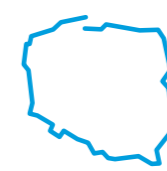
We cultivate a risk management system and a culture of ethics and compliance

The risks inherent in PZU's business are covered by the risk management system established on the basis of the following four levels of authority: the Supervisory Board, the Management Board, Committees and the operational level.

A detailed description of the approach to risk management has been provided in the section Ethics - risk management giving consideration to non-financial risks.

"New PZU" 2020 ambition
– Risk assessment framework score (BION) for PZU and PZU Życie
good level ☒

As at 2017 (last available data)



We are a leader in social activities focusing on security

Insurance companies are responsible for the risks of other persons. That is why social engagement among insurers takes on special meaning. For many years the PZU Group has taken specific and measurable efforts to attenuate risk at source by using the prevention fund.

On top of sponsoring activity or the charitable activity of the PZU Foundation, the PZU Group gets involved in social investments to reduce risk and simultaneously produce business and social benefits. These initiatives' major objective is to prevent accidents, reduce their repercussions and support activities advancing health prevention.

The strategic pillars underpinning PZU's social involvement are as follows: safety (road and public safety, at the local level), health, culture and expert approach with respect to which the key measures were described in detail in the section Impact of our activities on the environment.

"New PZU" 2020 ambition
– financial commitment to social activity
> at the level of over PLN 50 million annually ☒

Financial commitment to social activity in 2018: 86.8 million



We are devising new standards in relations with suppliers

PZU has an awareness of its material impact on the procurement market and its responsibility for shaping the top business standards. The PZU Group companies advance the idea of corporate social responsibility in relations with their suppliers, cooperating only with business partners who observe human rights and act in compliance with legal regulations, in particular with regard to the prevention of corruption. They also expect their partners to provide safe and dignified work conditions, apply the highest ethical standards and care for the natural environment.

"New PZU" 2020 ambition
– percentage of suppliers adhering to the "Code of CSR Best Practices for PZU's Suppliers"
90% of contracts contain an obligation to adhere to the "Code of CSR Best Practices for PZU's Suppliers"

The "Code of CSR Best Practices for PZU's Suppliers" was prepared

Preparations were underway in 2018 to implement a new procurement platform that, according to the assumptions underpinning the CSR strategy, will incorporate the necessity of affirming the obligation to abide by the "Code of CSR Best Practices.

1.6 Dialogue with the environment



Open communication - “we convey precise and necessary information to all the parties with whom we collaborate. We do our utmost to ensure that the reports and documents we transmit to control or supervision authorities or we publish are complete and understandable.”

[GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44]

The material role played by stakeholders and their measurable impact on shaping the PZU Group’s operations mean that every company in it regularly updates its partner map, and drafts key forms of dialogue with the various groups. They are selected on the basis of the importance of relations and the extent of the links to the PZU Group.

The stakeholder map has been presented below with the stakeholders having been chosen on the basis of the extent of their involvement in the Group’s operations and their materiality from the viewpoint of the business model. This map does not cover the activities of the Bank Pekao Group or Alior Bank where different approaches to external relations are in place.

Stakeholder group	Approach taken to the involvement of a given stakeholder group	Frequency of involving a given group	Key issues and problems touched upon by stakeholders
Employees	<ul style="list-style-type: none">• annual/quarterly discussions;• internal meetings;• internal portal/intranet;• newsletter;• boxes to explicate things that are not clear;• employee council and trade unions;• internal publications;• information campaigns expanding knowledge about the organization;• engagement survey;• broadcast meetings with Management Board members;• video materials shown in the Company’s head office.	high	<ul style="list-style-type: none">• listening to opinions of employees;• providing growth opportunities to employees;• creating a satisfactory workplace;• building understanding for strategy implementation and achieved results;• activating employee to participate in new initiatives.
Clients	<ul style="list-style-type: none">• website;• client needs survey;• satisfaction and opinion surveys; Client Council;• financial and insurance education programs;• Client Ombudsman.	high	<ul style="list-style-type: none">• Collecting client expectations and opinions;• incorporating client opinions when designing business solutions;• creating products and services that match client needs;• create transparent terms and conditions in offers and contracts.
Suppliers	<ul style="list-style-type: none">• meetings with new and current suppliers;• CSR poll.	high	<ul style="list-style-type: none">• Supporting the execution of the Group’s strategy and access to innovation;• shaping business standards in our surroundings and promoting best procurement practices.

Investors and shareholders	<ul style="list-style-type: none">• regular meetings during conferences;• discussion panels (group meetings in the company and individual ones);• quarterly financial reports, tables with data and results presentations;• constant cooperation between the Investor Relations department and stakeholders (institutional investors and retail investors),• analysts and capital market organizations;• meetings and conference calls with the Management Board;• the Company’s website;• internet information channels.	high	<ul style="list-style-type: none">• ensuring information transparency;• creation of value;• distribution of profits to shareholders.
Business partners: agents and brokers	<ul style="list-style-type: none">• annual, monthly and ongoing meetings with agents;• satisfaction and opinion surveys;• internal communication portal for agents;• sales training and support programs;• Elite Agent Club and Elite Advisory Group.	high	<ul style="list-style-type: none">• presentation of strategic plans;• addressing ongoing cooperation issues to ensure mutual benefits.
Media	<ul style="list-style-type: none">• Press releases;• press conferences;• expert interviews;• industrial interviews;• social services.	average	<ul style="list-style-type: none">• transparency in operation; building insurance awareness;• enhancing the level of knowledge concerning financial products.
Local communities	<ul style="list-style-type: none">• Ongoing direct communication;• supporting local initiatives through the program www.pomocmoc.pl	average	<ul style="list-style-type: none">• Execution of sponsorship and prevention projects; supporting the development of communities;• being a responsible citizen;• encouraging employees to take part in social campaigns
Central administration	<ul style="list-style-type: none">• Cooperation in debates and conferences;• answering inquiries and incorporation of recommendations; legislative cooperation with the Polish Insurance Association.	average	<ul style="list-style-type: none">• Ensuring compliance with requirements and regulations;• support for the creation of new market principles, including best practices.



Non-governmental organization and public institutions	<ul style="list-style-type: none">• Building partnerships and conducting social diagnosis; joint planning, implementation and evaluation of projects;• involvement in initiatives and projects to promote CSR and corporate foundation standards;• organization of joint conferences, seminars and seminars – activities benefiting the third sector and the academic community;• sharing know-how (training).	average	<ul style="list-style-type: none">• Implementation of educational and social programs promoting health, safety, social aid, culture and protection of cultural heritage
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BEST PRACTICE

[102-13]
Participation in associations and trade organizations



The PZU Group is engaged in the activity of numerous organizations and associations.

Membership in these organizations is of a strategic nature to PZU. The company pays membership dues to support the activities laid down in the articles of association and takes part in additional projects run by the following:

- Polish Association of Listed Companies
- Compliance Association Poland
- Polish Insurance Association
- Road Safety Partnership
- Responsible Business Forum
- The Geneva Association

2 New approach to sales



Professionalism every inch of the way - "we owe our success and strong brand to the knowledge and experience contributed by each one of us. Constant improvement allows us not just to keep pace with the realities of the contemporary world, but also to forge ahead into the future. That is why we joyously embrace innovative ideas. Tried and true solutions may be utilized many times over and form the basis for developing new products. Our knowledge and creativity produce profits and savings. They enrich the company's image as it is always in the center of events."

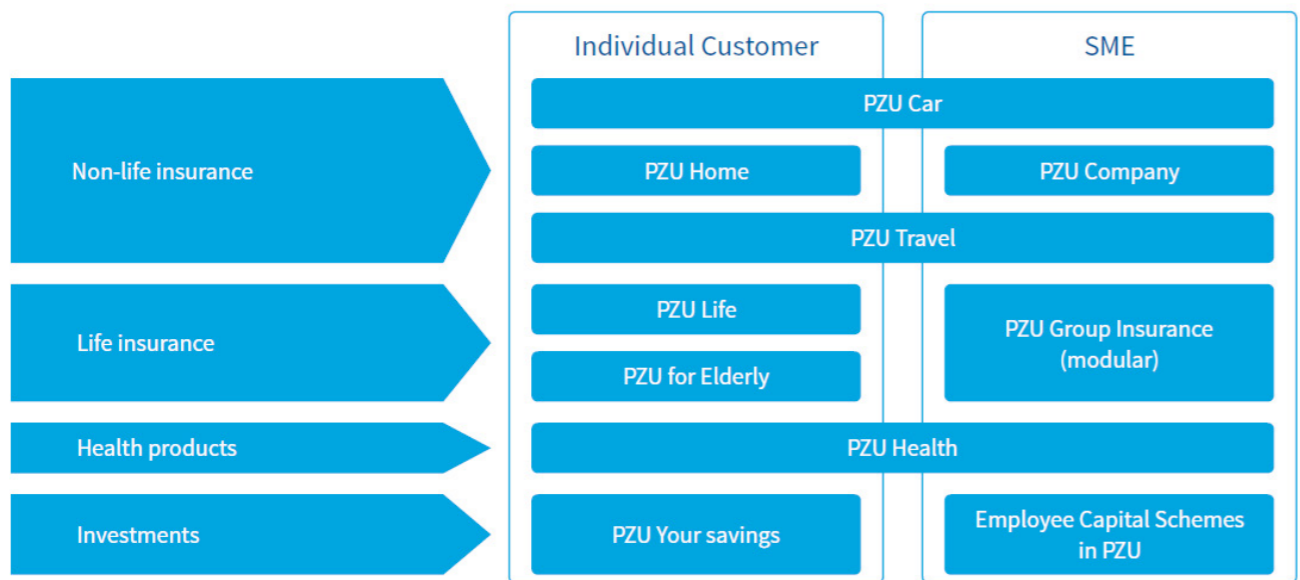


"PZU takes on responsibility for the welfare of its clients at every stage of their lives. This is an extraordinary obligation because ordinary people are frequently entrusting us not only with their money but above all with their own future and the future of their children. We trust that we are capable of wisely and RESPONSIBLY advising them and giving consideration to all the options. We cannot abuse this trust in PZU because that is what builds relations with clients, sometimes for decades."

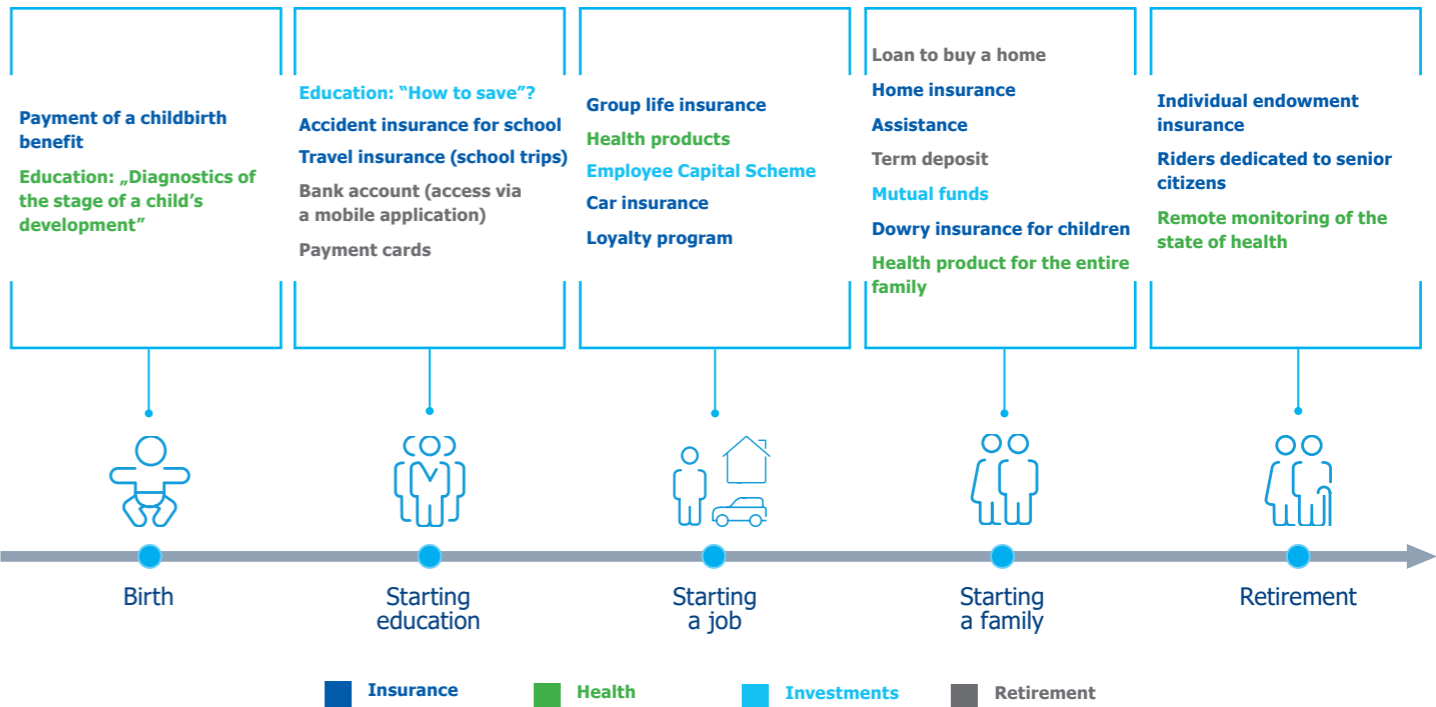
Roger Hodgkiss, Management Board member of PZU and PZU Życie

It is not the number of products that determines PZU's competitive edge and its unrivaled position on the Polish market, but their quality and, above all, their alignment to client needs as they evolve over their lifetimes. PZU is always present where clients are in need of financial and insurance services, from birth to education and maturity until retirement.

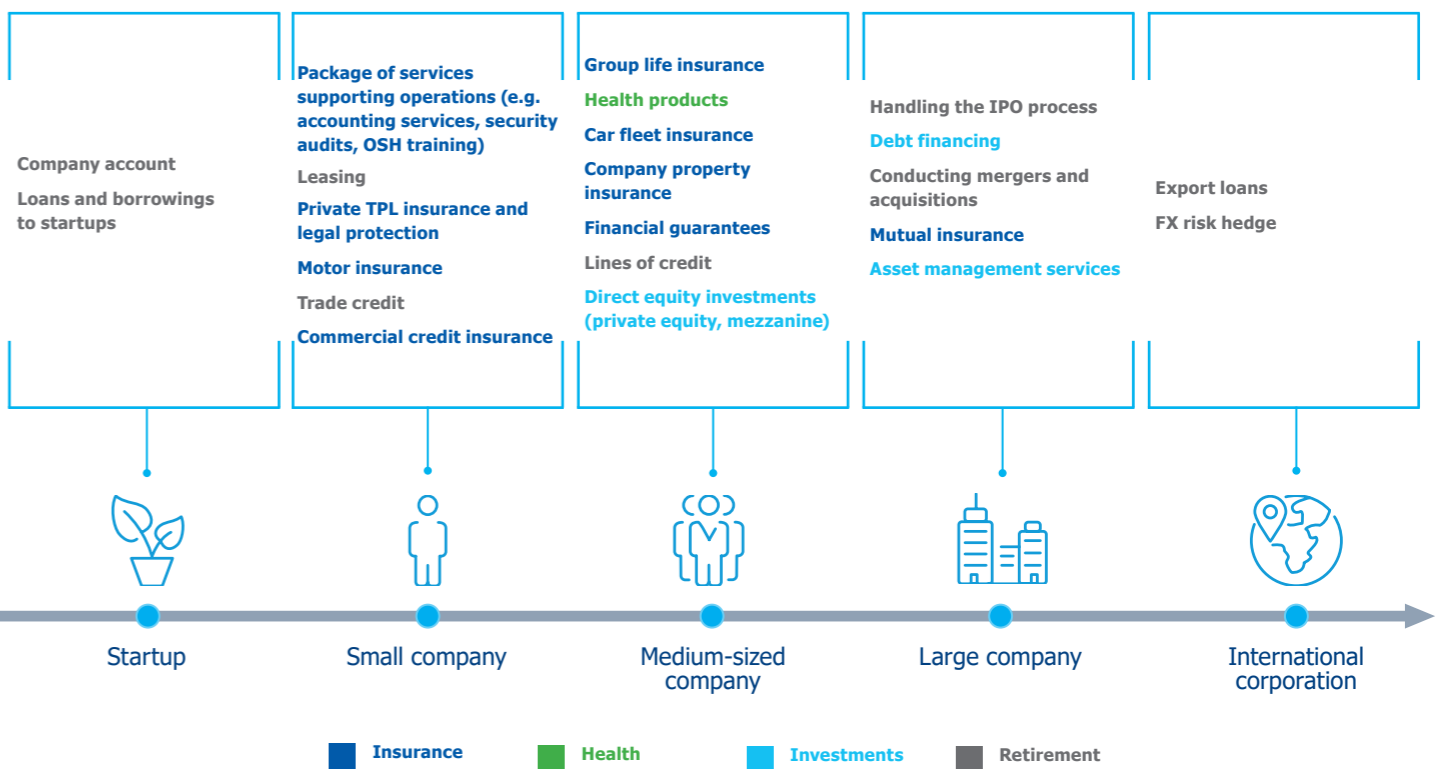
The "New PZU – More Than Insurance" strategy testifies to the comprehensive approach taken to client needs. PZU intends to strengthen client relations and the overall reach to clients using all channels. Cooperation with banks (Pekao and Alior) is being tightened. The Group will substantially develop the sales of health products. The sales network will gradually undergo unification. 10 simple products will be rolled out for general sales. The growth in sales opportunities and the additional client interactions will convert into more products per client. The statistical client at PZU and PZU Życie will have two products (1.6 products in 2016) by 2020. Nominally, this means selling an additional 8.5 m products.



"New PZU" – relations with retail clients



"New PZU" – relations with institutional clients





BEST PRACTICE

The PZU Group strategy calls for ratcheting up the sales of group life insurance, especially in small and medium enterprises. To match the offer best to this segment's needs a project called the Product Factory was launched in 2018. Group experts devised a modular¹ offer for clients in this segment. Special processes responding to client expectations for entering into contracts and obtaining aftersales service have been designed.



BEST PRACTICE



New product - investing in passive funds through the internet

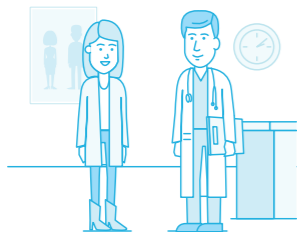
In October 2018 the internet inPZU transaction service to sell mutual funds was launched. This service bypasses intermediaries and directly reaches retail clients with its new offer of index funds. Client service is done solely in the online channel without having to pay a visit to a branch while the platform is available on all network-enabled devices. inPZU has enabled the Group to build the first offer of low-cost index funds in Poland.



PZU Ochrona i Zdrowie [PZU Cover and Health]

People are what make up every company. Take care of them and that will translate into the growth of your business. Our insurance is a comprehensive response to your needs as well as to the needs of your employees and your families.

Moje Zdrowie
[My health]



Moja Rodzina
[My family]



Mój Wybór
[My choice]



Insurance for companies employing at least 3 employees.

¹ This offer was construed using modules spanning various risk groups. These groups are formed on the basis of the nature of the risk, e.g. the module entitled "My health" consists of medical care risk (doctor consultations and tests), critical illness (disbursement in the event of a critical illness).



2.1 Client at the center of attention

Responsibility is our foundation - "we honestly advise clients when it comes to the PZU Group's offers. We talk about genuine benefits, we accurately describe the risks related to our offer, we take responsibility for it and we deliver on our promises. We in the PZU Group strive to solve our clients' problems with diligence and integrity, and examine complaints on a timely basis. We also avail ourselves of mediation and other amicable forms of dispute resolution."



PZU Group's policies [UoR]

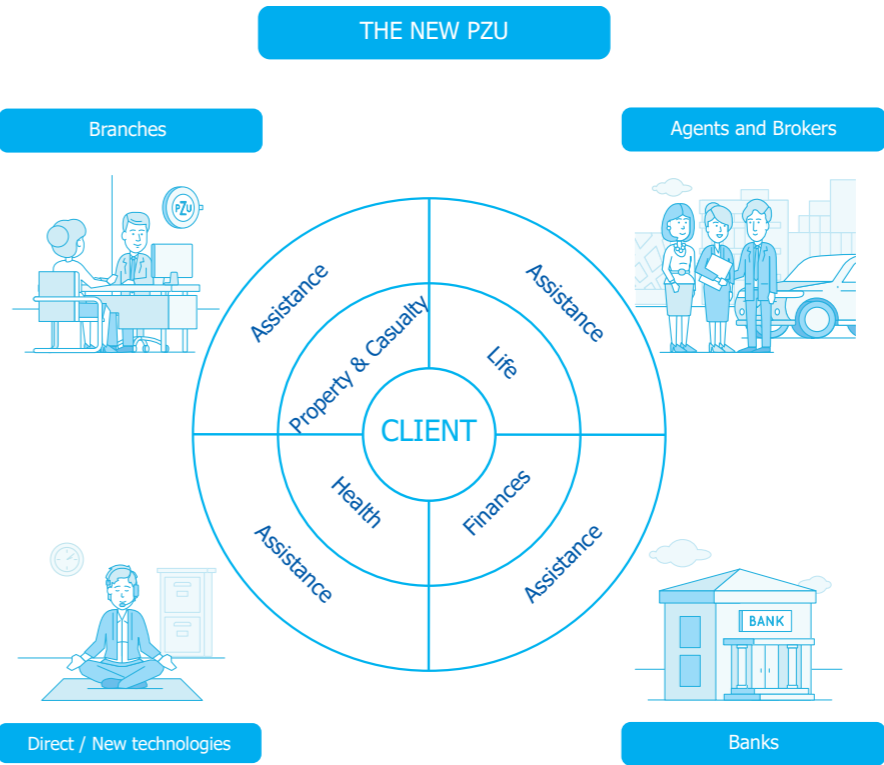
[GRI 103-2]

The PZU Group's New Strategy puts client needs and opinions at the center of attention. The mission that we have defined – we help clients care for their future – means that our client relationships and our client knowledge are becoming our company's overriding value, while our chief product is our acumen in addressing client needs to build a stable future. All the Group areas unite in their client centricism in order to be able to satisfy client expectations in a comprehensive manner. Accurately anticipating the future, understanding client needs and building ever better methods of becoming part of their daily lives are the logical grounds underpinning many of the initiatives in the #newPZU strategy.

"Let's tell one another frankly – the vast majority of clients are not interested in the structure of our corporate group, the links between its companies or corporate flows. 21st century clients want, above all, to get a product quickly and easily, which they grasp and which meets as many of their needs as possible. The changes taking place in PZU are addressing that issue. The breadth of the offer of the Group companies has long been enormous – now we have learned how to portray and offer it in a bundle, during a single conversation or visit to our website."



Roger Hodgkiss, Management Board member of PZU and PZU Życie





PZU and PZU Życie have a client experience management policy in force, with the program devoted to that subject matter being a strategic initiative for the overall Group. The Client Relations Management Department is in charge of its execution. The priority is to develop the best client experience during every contact with the company and its products and services. This program posits systematically proceeding through the various phases of the cycle, starting with a client expectation study and defining the optimum experience, to crafting measures to influence client experience, all the way to implementing changes and constantly measuring the outcomes.

The tool used to manage the program is the policy for managing proactive client initiatives in PZU - Closed Improvement Loop. It applies to all PZU employees who have a direct or indirect impact on client experience.

The introduction of the Closed Improvement Loop made it possible to formulate 45 recommendations in 2018 to improve client experience, streamline products and processes and procure coherent and effective market communication.

The collection of data from PZU's databases also facilitates better client service. The Phoenix Project pursued in 2018 - to develop a CRM class integrated platform - enables PZU agents and employees to gain ergonomic and effective access to all the information regarding their clients. They make it possible to craft a new dimension of relations and refine cross selling in the PZU Group. Salespersons obtain access on an ongoing basis to data concerning clients' active products, anniversaries, expiry dates and event histories. This system also supports the selection of new products aligned to client needs. Phoenix is a useful tool for managers. This allows for effective management of salespersons' work and measurement of their activity.

Closed Improvement Loop:



Mindset toward client experience

BEST PRACTICE



Customer Lab – modifications to the offer in cooperation with clients

The Customer Lab tool launched in the PZU Group in 2018 supports direct collection of information regarding client experience, their emotions, problems and tangential points with the company. Customer Lab makes it possible to obtain cognition of the client perspective. Thanks to workshops, discussions and interviews with clients we managed, among other things, to test online services and apps, gain cognition of concepts for a new form of product communication on the website and investigate the reasons for client dissatisfaction with products.

BEST PRACTICE



Client satisfaction survey

Every quarter roughly 15 thousand PZU clients are asked about how they evaluate their cooperation with the company. These surveys are conducted during key moments:

- product purchase,
- anniversary letter receipt,
- claims handling, payment of a benefit, surrender, doctor visit, utilization of an assistance service.

Their satisfaction with service and the product is checked, as is the effort clients had to expend to "handle" a given case with PZU (e.g. to buy a product or obtain payment of damages). In addition, the Net Promoter Score (NPS) is measured.

The research findings allow us to gain a grasp on PZU's strengths and weaknesses. The client's opinion is the starting point for commencing work to make changes in every area of activity clients assess negatively.

BEST PRACTICE



Client satisfaction survey according to NPS (Net Promoter Score)

The level of client satisfaction is monitored by Alior Bank on a quarterly basis. These surveys concern the score on overall satisfaction with cooperation with the bank as well as on various products and distribution channels (the surveys cover branches and partner centers). The surveys plus remarks make it possible to determine the overall level of client satisfaction and their willingness to recommend the bank to other clients. This means that Alior Bank can do more comprehensive research forming the starting point to implement improvements. The NPS for 2018 was 24%.

In 2018 the PZU Group's NPS² was 6.4% (8.0% in 2017), compared to a market average of -0.9% (3.0% in 2017). The Pekao Group's NPS was 10.2%. The subsidiaries of PZU Zdrowie saw their NPS scores range from 10% (Polmedic) to 74% (Gamma). Link4's NPS was 11% in claims handling, 15% in service and 53% in renewals. The NPS scores in the international companies ranged from 31% for the companies operating in Ukraine to 50% for Balta operating in Latvia.

The PZU Group has in force guidelines defining how the process of accepting, recording and examining client complaints is organized.



A procedure has been rolled out in PZU Zdrowie and its subsidiaries describing the rules for the workflow, records and examination of complaints by the Client Relation Section and PZU Zdrowie branches. It also defines responsibility in this process and the method of reporting complaints.


In 2018 the ratio concerning the timeliness of examining complaints was as follows:

- 98.5% for PZU Życie;
- 97.5% for PZU;
- 95.3% for Alior Group³;
- 90% for Pekao Group;
- 60% - 100% for the subsidiaries of PZU Zdrowie.

² Net of the lack of data for Armatura).
³ Ratio with no further exclusions. This ratio including additional exclusions is 95.92%.



BEST PRACTICE

 PZU clients can count on the assistance of the Client Ombudsman in difficult, multi-faceted cases that require a tailored approach.



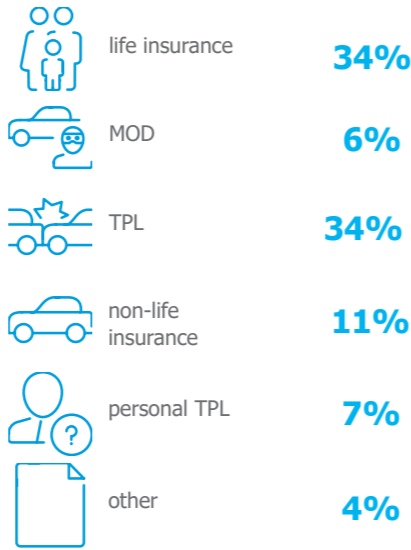
Clients directly contact the Ombudsman through a web form, e-mail or by phone. It is also possible to have a visit in person in PZU's Head Office in Warsaw. Every notification is recorded in the system while the Ombudsman intervenes in cases that, in his or her opinion, require a non-standard approach. More than 1,000 notifications were filed with the Ombudsman in 2018. They chiefly related to problems involving claims handling and aftersales service. The accepted standard calls for closing a case within five business days.

PZU's Client Ombudsman also analyzes the cases forwarded to the management board.

The most frequent complaints handled by the Client Ombudsman related to the quality of service (mostly the lack of contact with the claims handler – 17%), exceeding the deadline for claim handling – 5%, understating the claim value – 34% and PZU's scope of liability – 30%. These complaints gave us a chance to perfect our service processes.

PZU's Client Ombudsman also mediates before the Financial Ombudsman and in the Polish Financial Supervision Authority. Mediation was conducted in 46 cases in KNF in 2018. Settlement agreements were executed there for a total of PLN 1.3 million, while the total amount of the disputes was PLN 4.6 million. The PZU Client Ombudsman also participated in 26 cases of mediation before the Financial Ombudsman.

Scope of notifications forwarded to the Client Ombudsman in 2018:



2.2 Innovations

"I am interested in the approach and the development of innovations, not only within the meaning of just the PZU Group, but also in a global context: the surveys conducted and the promotion of efforts supporting the development of innovativeness on the market."

Comment made during a dialogue session



Innovation is one of the key values for the PZU Group. The New Strategy for 2017-2020 defines it as familiarity with client needs, searching for new solutions and setting trends on the financial services market. Innovation also signifies thinking outside the box, breaking molds and looking for opportunities to streamline how the company functions.

Innovation in the PZU Group is not limited to a single division, project or area. Smaller and greater changes are constantly being made to every aspect of how the firm operates, and they combine to form a picture of one of the most innovative companies in the financial industry in Europe. PZU's innovations contribute to client satisfaction, which is a top priority for the Group, and to employee comfort, and at a micro scale, to the development of the overall economy.

The Innovation Strategy is reflected in the projects and initiatives run by PZU. The Group fathoms that innovations call for the creation of creative space fostering the generation of ideas, prototyping original solutions and building a culture of innovativeness. The Innovation Laboratory team is such a place in PZU. Its overarching task is to search for modern solutions, check them, perform tests and support rollouts. Moreover, special processes have been forged in the entire organization to facilitate rapid testing and implementation of innovative solutions. During a given year the Innovation Laboratory Team analyzes nearly 2 thousand solutions and ideas relating to innovations; from among that number 12-15 innovations are slated for piloting.

The Innovation Strategy adopted by PZU in November 2017 supports the pursuit of the overall PZU Group's mission and strategy. Three major areas are set forth thereunder in which particular effort is expended to find new solutions:

- utilizing Big Data,
- digitalization,
- new client interactions.



"The fundamental principle by which we are guided in PZU Group's Innovation Laboratory is "Talk less, do more". We are advocates of doing rapid prototyping and testing our ideas with clients as rapidly as possible."

Marcin Kurczab, Director of Innovation in PZU and PZU Życie

Strategy of innovation



UTILIZATION OF BIG DATA

- > Sophisticated **pricing** methods
- > More effective **insurance fraud** detection
- > Support for **cross-selling** initiatives
- > Growth in the level of **client loyalty**
- > Enhanced business management and **prediction**



DIGITIZATION

- > Implementation of **new technology**
- > **Automation** of processes
- > Implementation of **self-service**
- > Development of **distribution channels**
- > Simplified **sales process**



NEW CLIENT INTERACTIONS

- > Implementation of services **aligned to client needs**
- > Reaching **new market segments**



MARKET APPRECIATION

In the PZU Group in 2018 more than PLN 160 million was designated for innovative projects⁴.

- The outcomes were appreciated by independent experts, among others from the EFMA organization:
- The PZU I sign project (client service in sign language) won the “Insurance Innovation of the Month” award and the “Innovation in Insurance 2018” award. PZU was the first company in Europe to launch three party video connections via the web with a sign language consultant.
 - Pekao PeoPay won the Distribution & Marketing Innovation Award 2018 in the Phygital Distribution & Experience category as the most innovative project in the world in 2018.
 - Alior Bank’s Very Personal Account won a prize in the category “Offering Innovation” in Distribution & Marketing Innovation Awards 2018, where innovations were assessed that are to constitute added value to traditional banking products.

Data Lab



Laboratory is the Data Lab project. Having regard for the size of its business and its lengthy operating history, PZU has one of the largest data files in Poland. Data Lab checks how this data set, by tapping into the most advanced technologies and analytical methods, can be harnessed to enhance the organization’s efficiency and produce many millions of savings. Experts from Polish Data Science companies support the work done by Data Lab, while projects are executed in all of the organization’s areas.

Selected pilot projects completed in Data Lab:



Advanced analytics in motor claims handling in respect of routing them to the repair network.



Lightning-quick quotation in the on-line channel for real estate insurance.



Solution identifying irregularities in settlements with medical centers (e.g. pretending to be a co-insured, no-shows, i.e. visits patients failed to cancel but did not utilize).

⁴ CAPEX i OPEX

BEST PRACTICE



Future Makers Challenge

Young program participants backed by their managers from Innovatika, mentors from PZU and specialists in market research, product development, UX and communication worked on the PZU Group’s business challenge. The task they received was to devise the most attractive method of communication with clients to lead to the purchase of insurance. The proposed solution may rely on the utilization of a selfie on the basis of which information can be obtained related to things like age or emotions, and even the health status of a given person.

Thanks to participation in this program the young participants had the opportunity to gain a better grasp on the insurance business while the PZU Group’s mentors could get to know their viewpoint on the type of insurance company they would like to deal with in the future.

BEST PRACTICE



PZU’s commitment to developing innovations by supporting acceleration programs, among others, MIT EF Poland. Cooperation with startup accelerators.

Innovation in PZU denotes support for innovative solutions created outside the company. The company takes part in two startup acceleration programs: MIT Enterprise Forum Poland and Alior Bank’s RBL Start. New companies in particular can count on substantive and organizational assistance if their ideas address PZU’s business needs. More than 10 PZU mentors are involved in this process: until the end of 2018 one pilot was conducted on automating medical services handling by using technology tapping into semantic OCR. The next two pilot projects in the framework of these accelerators were in progress.

BEST PRACTICE



Innovations in PZU can rescue clients’ life and health. At the turn of 2017 and 2018 work was begun on a breakthrough solution for the owners of passenger vehicles - PZU GO. This is app connected to a small device known as a beacon that is glued to the insider of the vehicle’s windshield. The beacon is outfitted with a high quality accelerometer and a small battery whose lifetime in Polish weather conditions is estimated to last at least three years. The device communicates with an app and if a major accident transpires, an employee from the PZU alarm center contacts the client to check whether he or she needs support. If the employee does not receive a response, then the rescue services are summoned to proceed to that site.

During developmental work PZU GO was tested, among others, on a track in Poznań with a group of professional stuntmen. Simulations of road events made it possible to verify the algorithms to detect accidents. Two events: a head-on collision with a fixed obstacle at a speed of 35 km/h and a side impact collision of two cars at a speed of 60 km/h - confirmed the capacity to detect accidents automatically while minimizing irregular notifications.

Robotics

Robotics deserve special mention among the innovative solutions employed by the PZU Group. Robotic Process Automation has been operating successfully in the company since 2018. This is software that operates existing systems and apps just like a human operator. However, no changes are made to them. Only the actions specified in the job position instructions are taken. If it fails to find something in that app, or if it happens upon systemic limitations, it stops and turns over the rest of the tasks to an employee. In the duties the robot performs it uses only encrypted data. It operates rapidly, faultlessly and during off-peak hours, or for instance during the night.



The first robotic process in PZU was to update litigation provisions for the Claims and Benefits Handling Department. This task involved the input of data into claims in the system on the pending litigation proceedings in those cases and the provisions related to them for claims paid and costs. During the early months of 2018 PZU employees turned over five more processes to the robots from the Claims and Benefits Handling Department and the Service Processes Department.

Action	What kind of actions are to be taken
Initial analysis of motor own damage claim	Collecting information from many tabs and gathering it in one spot related to the claim
Initial analysis of child birth claim	Collecting information from many tabs and gathering it in one spot related to the case and verification of insurance continuity in the Kangur system
Preparing extra amounts to be paid for claims based on invoices for Repair Network workshops in the Trust Model in motor own damage claims	Preparing decisions about extra payments for claims
Vehicle towing	Calling a tower with a car trailer after the client reports the case to Assistance
Arranging the lease of replacement vehicle paid for from the perpetrator’s TPL insurance	Preparing the framework for the Assistance case directly after a claim is reported by the victim and a request for lease is made


Easily, with greater accessibility, independently

The efficiency of information systems is indispensable to enable clients to utilize the Group's products through the web on their own (referred to as the self-service channel). The innovative #myPZU internet platform launched in 2018 enables users to do the following things, among others:

- fill out claim forms,
- book meetings with medical care,
- fill out contact forms with an insurance agent,
- purchase products, among others, PZU Auto, PZU Dom, PZU Wojażer, PZU Ja Plus, doctor's visits and accessibility of the inPZU.pl investment offer,
- enroll in group insurance.

All these solutions are accessible in a single venue while users can easily search for the information they need. At the same time, the platform made it possible, among other things,

"The 360 degree view is a landmark moment for PZU, while at present the client information is the most important tool and a key to success. This means that we are better able to tend to their loyalty, enhance the number of transactions and stay in contact with them. The foundation is the centralized client database. This is a historical event: we have expanded and created a single client database from two companies, and we will continue these efforts. We are appending PZU clients to the PZU Życie database consisting of group and individual continuation insurance clients. We have amassed unique client information in a single venue reflecting the most important and up-to-date client information. The magnitude of this endeavor is awe-inspiring: we are talking about more than 100 million records containing data about clients, their products and offers."




Agnieszka Jeż, Director of the #mojePZU project

to unify the client databases and abandon many hard-copy forms. In the future the Group plans to extend the number of products offered in mojePZU [myPZU].

The key project completed in 2018 was the rebuilding of the pzu.pl corporate website. Nearly 120 people toiled for more than a year on the new unveiling of this website which is also available in a version for smartphones. The outcome is an innovative and intuitive internet platform that provides easy access to all of PZU's products and services. In a single spot you can find the following items, among others:

- online sales option,
- login panel for all of PZU's services,
- search engine,
- forms to notify a claim and book a visit under private medical care,
- contact channels to book a meeting with an agent.

A CMS system was launched along with the refreshed service that makes it easy to edit quickly information on the website.




"Our major goal was to allow clients to find the most important products and services quickly. We prepared a new catalogue in which products are sequenced using simple categories. Content personalization is one innovative solution. Persons who frequently visit pzu.pl will see information aligned to their needs."

Marta Baran, Director of Strategy and Marketing Analysis, responsible, among others, for e-marketing, project manager


#moje.PZU highlights			
<ul style="list-style-type: none">• 3 implementations• 20 systems modernized	<ul style="list-style-type: none">• over 200 persons involved from 7 PZU Group companies• 1,100 tested cases	<ul style="list-style-type: none">• 9,697 cups of coffee consumed• 10,052 pages of project documentation in electronic form	<ul style="list-style-type: none">• several million lines of code• the one and only self-service

Claims handling done with greater customization and more quickly

 In this time of automation and digitalization of processes, clients expect to an even greater degree a customized approach. That is why in April 2018 a new job title was introduced in the PZU Group, namely: Relationship Manager.

Depending on client expectations, the Relationship Manager handles claims and advises of progress in a given case. The Relationship Manager can also provide support to clients, act as their advisor offering specific solutions in a difficult situation, and efficiently organize and manage all the services PZU offers in the framework of handling a notification. That person's task is to walk clients through the entire process in the least cumbersome manner, ascertain their preferences regarding, for instance, channels of communication or methods of rectifying the loss.

"Relationship Manager, abbreviated as RM, is how the person responsible for client service will introduce him or herself when clients report a claim or benefit. Some will contend that this is just a new name for a job title, but in essence we will do exactly the same thing. However, there is a difference, a marked change in our approach to clients. We are leaving the back-office and joining the front-office. We are providing all the contact details and we are communicating through selected channels. For clients this will mean that they can contact just one person on any issue related to a claim or a benefit. Service procedures have also been substantially simplified, which will afford our RMs the opportunity to act. Why? Because we believe in the advantage given by our employees' know how, experience and ability to think logically over rigid clauses in written instructions."




Radosław Bedyński, Director of the Claims and Benefits Handling Department


The New Claims Handling Model under a formula based on client support provided by the Relationship Manager enables the injured party to avoid many formalities related to claims handling. The RM's role is to prepare the best solutions for clients and provide advisory services to select the most optimal choice involving, among other things, the method of calculating a claim or the selection of a workshop. The pilot project completed in 2018 spanning the handling of 4.5 thousand claims was very well assessed by its participants, chiefly on account of the formalities having curtailed to a minimum and the ability to choose from the options prepared by the RM.

Under this new model the process for handling the claims notification has also changed. The revolutionary solution is the notification.pzu.pl web service through which clients can report motor and property claims within a mere 5 minutes.

BEST PRACTICE



Mobile PZU Agent:
a modern tool for employees and non-life agents that operates online and offline alike. With its assistance inspections can be performed by any user.



The Mobile Agent app introduced in 2018 gives substantial support to clients. It allows them to count on getting faster service in many instances. This program enables PZU agents to send photos from vehicle inspections directly from their mobile phone. These pictures are loaded onto PZU's system and subsequently they are assigned to a client's corresponding account. Up to the end of 2018, an average of 600 claims per month were handled using video inspections. At the end of 2018, more than 6 thousand intermediaries had used this app.

This project including the previously-introduced self-service (unilateral calculation of the claim amount) and simplified service (without doing a vehicle inspection) enables PZU to accelerate the process of determining the claim amount to be paid. Traditional methods for determining the extent of the claim are still being used, among others, inspections by the Mobile Motor Expert at a location specified by a client or in a repair network workshop.

BEST PRACTICE



Queen Project

The service notification pzu.pl launched in 2018 proved to be a landmark moment. It is possible to report a loss or a claim at a record-breaking fast pace and determine its value. In motor and non-life claims clients receive an automatically calculated proposal of the indemnity payment. The new tool has also been made available for use by Contact Center employees. That means that the registration of a claim through our information line takes less time. The content of this service was the subject matter of consultation with the Institute of Simple Polish at the University of Wrocław. Clear and comprehensible graphics and photos were also used. This platform is adapted for use on mobile devices.

The outcome of these efforts is the shortening of the time it takes to register claims from 15 to 5 minutes. The number of cases registered by the internet service has jumped up by nearly 20%.

Up to the end of 2018 this system had analyzed nearly 20 thousand motor TPL / motor own damage cost estimates - artificial intelligence requires a mere 30 seconds to analyze the documentation. This solution makes it possible to select 90% of the documentation that fulfills the requirements needed to preserve high quality of claims handling in PZU. The artificial intelligence will forward the remaining 10% of the documentation requiring additional expertise for analysis to be done directly by PZU employees. Thanks to the introduction of this system, the ratios concerning the quality of motor TPL / motor own damage claims handling improved at least 10 times.

BEST PRACTICE



Since 2018 PZU has had a special program to assist injured parties in accidents. This is a unique solution that sets the company apart on the

Polish insurance market. The company offers customized and comprehensive support to persons who have sustained grave injury or have lost a relative in an accident caused by someone holding motor TPL insurance in PZU.

During direct meetings employees from PZU's Relationship Managers Team analyze the health and life status of the injured party and identify his or her needs. They also offer assistance in pulling together the documentation required to obtain benefits from PZU and state institutions, foundations and associations. If needed they organize psychological, medical or legal assistance. In 2018 nearly twenty people took advantage of these benefits every quarter. Psychological assistance was also provided to roughly 20% of the injured parties.

School breaks and vacation trips involving therapy and recreation for children and their caregivers (100 spots are available per annum) are organized under the program to provide assistance to injured parties in accidents.

2.3 Responsible sales

We play fair - "we have the suitable qualifications and tools to discharge our obligations in respect of our clients. That enables us to give them accurate and comprehensible information regarding our offer and products. Let's do our best for this knowledge not to mislead anyone. We articulate transparent and unambiguous model contracts and advertising materials. Contacts with clients are based on trust.

Let's remember that when doing our professional duties we are always acting on behalf of the PZU Group. If a client loses trust in us, then further cooperation may be called into question. We are obligated to treat all clients equally. Service should not be denied to anyone, nor should the provision of information or explanations. We approach aftersales service with an equal amount of professionalism."



PZU Group's policies [UoR]

[GRI 103-2]



"At PZU we believe that every client deserves to receive serious and - above all - HONEST information. We treat our marketing communication as one form of the company's conversation with clients. Like every honest interlocutor, we do not overpromise, we do not speak of unrealistic things, but only about the best scenarios. We present risks in a realistic and accurate manner and we deliver on our obligations."

Paweł Menkiewicz, Managing Director of Sales, PZU Życie

Product liability in the PZU Group assumes an exceptional form: the priority in every offer and every product in the Group companies is client safety understood in a broad sense. Our corporate value embodied by "we play fair" is not an empty slogan. Rather, it is translated into the daily practice of thousands of people who work in this Group.

[G4-FS15]

Every single Group product and service is meticulously checked by experts before it can be proposed to clients. Lawyers and employees of the compliance department ensure that no clause in any agreement violates client interests, and that the entirety is compliant with current case law regarding consumer rights.



Several Group companies, including all its international companies, there are procedures in force on how to disclose information to clients concerning factors that may influence their decision to enter into, or enroll in, and insurance agreement. In addition, internal regulations have been implemented in TUW PZUW, including rules pertaining to the product management system, the procedure for creating, modifying and retracting products, the procedure for monitoring products and the rules for managing defects.

"The company's methods and policy on shaping its culture of ethics in client and business relations. In 2018 new regulations were introduced on the subject of "responsible products". How does the PZU Group cultivate measures to prevent misselling? Expectation from the dialogue session

Description of the following issues that were lacking in the 2017 report: misselling, product development." Comment made during a dialogue session



After bringing a product to market, the Group employs procedures to prevent misselling, or offering such a product in a misleading manner, or offering a product that is not aligned to a client's capabilities or needs. Employees and agents are obligated to perform a Client Needs Analysis, or hold a conversation to assess accurately the utility of the product PZU is offering to a client. All employees and agents examine client needs in four fundamental areas: Life Safety, Asset Safety, Investments and Pensions. If the analysis shows that




a product is not aligned to the needs of a given client, the client is advised of that fact and jointly with the advisor he or she may look for an alternative solution.

Before making a decision on utilizing PZU’s insurance services, clients also have at their disposal product sheets that render an objective presentation of the most important information regarding a given product. As a result, clients can made more considered decisions and purchase insurance cover that best corresponds to their requirements.

The clauses of the Insurance Distribution Act (Journal of Laws of 2018, Item 2210) implemented in 2018 also provide for the transparency of the Group’s insurance products. This act is the outcome of implementing the clauses of the EU Insurance Distribution Directive in the Polish legal order. During preparations to phase it in, the PZU Group companies refreshed the process of offering and entering into insurance contracts and the various clauses of the general terms and conditions of insurance were aligned to the regulations related to handling complaints. Guidelines and implementation materials were conveyed to the distributors of PZU’s insurance products, salespersons were also trained on new duties ensuing from the IDD Directive.

[GRI 417-2; GRI 417-3]

 In 2018 PZU and PZU Życie did not observe any failure to comply with regulations or codes concerning the labeling of products and services or marketing communication.

Responsible and understandable communication

PZU’s Best Practices define what specific activities are in compliance with the Company’s key value of “We play fair”. They require that information about the offering must be conveyed in a reliable and comprehensible manner with special attention paid to ensure that understatements are not misleading. Such information must also present the actual benefits but also reliably describe any existing risks that accompany the offering.

The company’s goal is to present its offer to clients in a simple and understandable manner. Since December 2012 the PZU Group has pursued efforts to convert communication into simple language. The PZU Simple Language project started in April 2018.

BEST PRACTICE



Alignment to the PRIIP Regulation, i.e. Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products.

The PZU Group wants for its clients to invest and insure themselves in a responsible manner - to make deliberate decisions with a grasp of the risk and costs related to the products they purchase. That is why the company fully meets the European PRIIP Regulation and conveys important information from the buyer’s viewpoint in an understandable fashion. The Key Information Document (KID) accompanies all products for which this is required according to the regulation, chiefly insurance-based investment products and endowment insurance policies. This is a standardized information sheet giving clients the ability to compare with ease products offered by different insurance undertakings. This sheet is mandatorily forwarded to clients when presenting an offer. It can be found on the product pages of the pzu.pl portal.

Its assumptions are as follows:

- changing the form of communication with clients in keeping with the rules for simple Polish,
- aligning the content of services to the simple Polish standard and obtaining a simple Polish certificate,
- devising and implementing internal and external communication standards in keeping with the rules for using simple and understandable language.

The necessity of modifying the language of communication is dictated by evolving client expectations. Research shows that 61% of all clients are inclined to recommend a company on account of the simplicity of communication and the experience provided, while 64% are willing to pay more for the product being offered if the company approaches them succintly, simply and comprehensibly. The new type of client is related to the development of new technology.

⁵ Simplicity, badanie z 2017 roku

Approximately 300 PZU Group employees were trained on the principles of simple Polish. Webinars (online seminars) were also conducted with language experts and linguists. A conference was also held for employees that was devoted to simplifying language.

The language used, company letters and internet portals have changed in PZU. The Client Account Service has received a simple Polish certificate. We are striving for more services to obtain certification. Giving clients an understandable message has cut the burden placed on PZU’s information line by approximately 10%.

BEST PRACTICE



Simple Language at the 28th Economic Forum in Krynica!

For the first time in the history of the Economic Forum, the attention of all the parties involved was focused on effective communication. During the 28th Economic Forum in 2018 PZU organized a discussion panel entitled Communication of the Future (without a Future) - language in the times of bots and memes. Dorota Macieja, Management Board member of PZU Życie hosted the event. She is proliferating a culture of simple language and effective communication in the organization. Experts from various areas participated in this discussion: a linguist, an image and communication expert and a specialist on bots. The culminating point of the discussion was a conversation with a bot.

[GRI 417-1]

All of the PZU Group products belonging to the 4 major product categories (life insurance, non-life insurance, health and investment products) satisfy the statutory requirements, i.e.:

- within the scope of general policy conditions: the PZU Group directly applies the Insurance and Reinsurance Activity Act. Additionally, the product development procedures refer to a clause on the mandatory preparation of general terms and conditions of insurance,

⁶ Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products.

BEST PRACTICE



The deaf and hard of hearing can also count on professional service in sign language in PZU. PZU is the only insurance company in

Poland that since 2018 enables these people to handle their affairs by using a three-party video connection including the client, a sign language interpreter and a company employee. PZU received a prestigious award under the Efma-Accenture Innovation in Insurance Awards 2018 in the Customer Experience & Engagement category for the implementation of this project.

More information concerning service for people with disabilities may be found in the section Doing business ethically – Diversity and respecting human rights

- with respect to KID (Key Information Document) the PZU Group directly applies the PRIIP regulation⁶ and the product development procedure,
- with respect to the Insurance Product Information Document (IPID) the PZU Group directly applies the clauses of the Insurance Distribution Act as well as the Principles regarding the product management system and the product development procedure.



Responsible network of salespersons

Structure of the insurance agent network - % employed, % external.

Training system (also pertaining to ethics and responsible sales) and control exercised by PZU (among others in respect of responsible sales)

Does the agent motivation system rely not just on financial KPIs but also on non-financial KPIs? What is taken into account?

Did any irregularities on the part of the agents transpire in 2018? If so, then how many? What did they concern? How were they addressed? Please comment

Comment made during a dialogue session

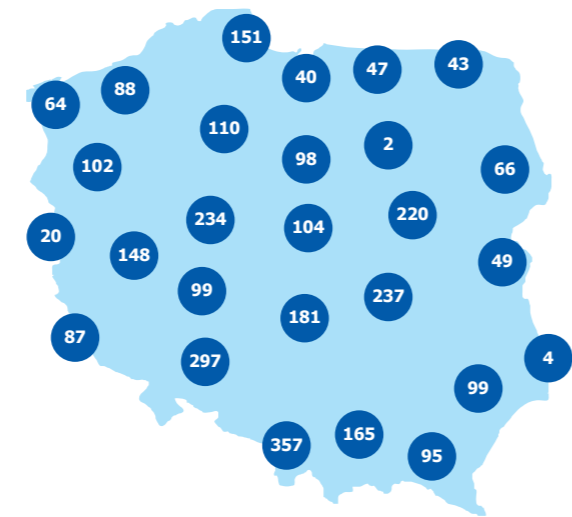
[G4-FS13], [G4-FS14]

The PZU Group has created the geographically most extensive financial services sales network in Poland. Among all the Polish insurers PZU offers its clients the largest sales and service network. It has 411 branches with convenient access across the country, 9.1 thousand tied agents and agencies and 1 thousand insurance brokers. The company's branches and agents are available not only in large cities but also in smaller communities and in villages strewn across Poland.

The sales network is also supplemented by electronic distribution channels (such as LINK4) and the potential inherent in the branch networks of Bank Pekao and Alior Bank. At the end of December 2018 Pekao had 825 proprietary branches while Alior had 202 proprietary branches, 8 Private Banking branches, 8 Regional Business Centers and 643 partner centers (franchise). In addition, in health the PZU Group cooperates with more than 2,100 partner centers in 500 towns and cities in Poland and is steadily rolling out its own network consisting of more than 60 medical centers.

The widespread accessibility of the Group's products and services is also of social significance, on top of its economic significance. PZU's efforts and presence not just in the largest cities reduce the marginalization and exclusion of many groups. Thanks to PZU the residents of small urban communities and villages have facilitated access to the most modern and safe financial services. Thanks to implementing the Group's new strategy, it can provide clients, regardless of their place of residence, the optimum selection of services helping to safeguard their life, health, assets, savings and finances.

PZU agent network structure



2018 is a year in which another step has been taken in the program to standardize the offices of tied agents. The Agent 3.0 program was created allowing PZU to open even more professional agent offices across the nation. This program anticipates three levels featuring different forms of support provided by PZU. They are fitted as needed and possible to agents in small and large communities. Through this program PZU would like to make it easier for its partners to get started in business and give them the greatest possible support and development.

1,473 "Agent 1.0, 2.0 and 3.0 outlets" were in operation across Poland at the end of 2018.

BEST PRACTICE

Tied agents received marketing support in the form of coherent, uniform and professional websites and Google business cards. PZU has addressed the expectations of its agents and is supporting them in effectively advancing their image in the Internet.

PZU is constantly developing its universal agent network, i.e. agents who have life and non-life products in their offer (OMS, type P and My Business). The tied agent channel currently consists of 2,250 agents offering life and non-life products⁷. The purpose of the Delta project is to align the offer, processes and model of cooperation with tied agents even better. All these changes aim to build a combined network of salespersons who will be able to propose to their clients the broadest possible array of products offered by the PZU Group. The change slated to take force as of April 2019 also entails the Tied Agents channel operating as a combined life and non-life network. The purpose of these solutions is to align the sales structure to the PZU Group's expectations better to be able to manage more effectively the development of life insurance sales in the tied agents channel. A new position called the Agent Portfolio Development Coordinator will be established in this project – this person will be responsible for supporting the Sales Areas to develop life product sales. Directors of External Channels (BSA) who with KRPA will jointly provide support to sales managers and tied agents are also dedicated to support sales and underwriting.

The purpose of the project is also to review existing life insurance sales processes and models and customize them to the requirements of tied agents. Under this project a life insurance sales and service model will be devised by BSW and BSA (training, CC support, documentation settlement process).

All the actions pursued under the Delta Project purport to reach PZU's current clients with the PZU Group's broadest product offer.

⁷ Agents having life and non-life products in their offer.

BEST PRACTICE

"I would eagerly learn how the system for reporting breaches operates. Can a client report irregularities on the part of agents if they occur? To whom and how?" Quotation from the dialogue session

Comment made during a dialogue session

Grievances and complaints related to the work of agents are accepted by PZU in any form. Clients decide on their own whether they want to use a traditional letter, e-mail, form on PZU's website or by phone with an employee or directly in a company outlet. No notification is examined by the unit or person to whom it directly pertains. The Complaints Handling Section specially appointed in the corporation's structures deals with them. The employees of this section field each notification as quickly as possible. In standard cases clients wait for a response for no more than 30 days. That timeframe does not exceed 60 months in cases that are particularly complicated.

If it finds that an agent has breached his or her duties, PZU may curtail the scope of the power-of-attorney extended to enter into insurance contracts, or terminate the agreement. In the event of serious breaches the Security Department is the appropriate unit to react.

This procedure has been regulated in the Principles for accepting, recording, examining and reporting the grievances submitted by clients.

168 grievances were submitted to PZU in 2018 against agents. 35 of them were recognized and 22 were recognized in part. These grievances pertained to giving incorrect information, improper employee conduct and the organization of an agent's work. 48 grievances were submitted to PZU Życie. 7 of them were recognized and 8 were recognized in part. The grievances pertained above all to the lack of contact with the client.

The Agency Agreement governs the fees of PZU agents. The principles are clear and transparent and ensue from the results of their work and engagement. The following make up their compensation:

- commission specified in the agency agreement depending on the agent’s segment;
- bonus for performing the sales contract (quarterly);
- bonuses and awards earned in sales contests and campaigns.

BEST PRACTICE



In 2018 nearly 3,000 agents took part in the training courses organized by PZU, including 1,850 people in the Academy for Adepts in which, on top of sales issues, ethical aspects occupy an important position in connection with the sales of financial products.



In 2018 PZU also delivered 267 internet training courses (more than 2,750 participants) related to KNF’s regulations.

Responsible marketing communication

The PZU Group advertises its products and services in a responsible manner. The Code of Ethics in Advertising is in force in the company. It unambiguously orders for every marketing message to be deprived of discriminatory content, not to be misleading and not to take advantage of clients’ lack of experience or knowledge. The Group’s advertisements depict solely authentic and documented data, are clearly labeled and cannot give the impression of being neutral information. It is forbidden for PZU advertisements to challenge animal rights.

The Code of Ethics in Advertising regulates PZU’s sponsoring issues. The Group undertakes, among other things, not to sponsor events that exert an adverse impact on the natural environment or put in jeopardy historical or artistic facilities. A presentation of sponsoring-related information cannot violate best practices or religious convictions.

On top of the Code of Ethics in Advertising PZU and PZU Życie are guided by the Principles for giving opinions on marketing activities and activities in internal and corporate communication.

A best practice is for the Compliance Department and the Legal Department to give an opinion on marketing activities. Experts check, among other things, whether a given message entails a risk of PZU and PZU Życie suffering a loss of their good name.

The Code of Ethics in Advertising was also implemented in Bank Pekao, as well as in several foreign companies in Ukraine and Lithuania. Marketing activities are pursued in PZU Zdrowie and its subsidiaries in coordination with the Marketing Department and no separate policies were implemented in this respect. At Link4, the compliance risk management policy in Link4, the executive procedure concerning compliance risk management and the policy on the distribution of insurance by Link4 refer to the topic of giving opinions on marketing activities. In the other Group companies, including the Pekao Group and Alior Bank, this area is regulated under the marketing activity policies of the various companies or the PZU Group’s Marketing Policy as adopted.

"Taking into consideration the contributions to the Insurance Indemnity Fund base and usages thereof for business purposes"

Comment made during a dialogue session



Information regarding policies, events and claims paid in motor insurance is reported by the PZU Group – according to the binding law – to the Insurance Indemnity Fund. PZU’s

ambition is to ensure the completeness and timeliness of the information provided. The Group is aware that it can derive the maximum business outcomes only thanks to the Insurance Indemnity Fund base, i.e. better prevent insurance fraud, as well as shorten the time to send out policies and pay claims. Caring for the high quality of the data transferred also translates into reducing expenditures on processes to adjust them, which in turn makes a positive contribution to greater process efficiency in sales and operations.

The PZU Group has undertaken the following activities to enhance the quality of the data transferred to the Insurance Indemnity Fund base:

- The implementation of the EVEREST central policy system involving optimization of processes to source information

online directly at the stage of an offer and enter into an insurance agreement.

- Implementing regular processes to verify the quality of data in substantive units (operations, claims handling) and implementing improvements in this area.
- Modernizing the Data Transfer System to the Insurance Indemnity Fund (STUFG system) in the data warehouse based on a new approach to data modeling, sharing and integrating data sources, as well as automating, optimizing and verifying data at the stage before they are forwarded to the Insurance Indemnity Fund base. The fundamental overhaul of the STUFG system aims, among other things, to shorten the time to dispatch policies, events and payments to fulfill statutory requirements, improve data quality on account of verification in source systems and implement a system to clarify discrepancies.
- Implementing regular monitoring of ratios of Insurance Indemnity Fund data quality at the level of managers, the Data Governance Committee and reporting to the PZU Supervisory Board.

The efforts of PZU’s employees were appreciated for the third time in a row by the Insurance Indemnity Fund. PZU, TUW and Link4 are among the top players in the eighth ranking of data quality in the nationwide base of motor policies at the Insurance Indemnity Fund for 2018. **PZU stayed at the top of the data quality ranking in the motor policy base with a result of 89.5%, versus an acceptable level of at least 80%.**



2.4 Cybersecurity



We protect personal data - “everyone’s personal data, in particular the data of our clients, employees, business partners and users of our websites – are subject to strict protection. This pertains to all data facilitating the identification of a given person. The regulations of the personal data protection law apply to every work position and all information systems which employees use. Only those persons obtain access to such data if they need it on account of the work they do.”

PZU Group’s policies [UoR]

[GRI 103-2]



"Banks incur enormous expenditures to ensure security and cybersecurity. I would like to learn about the approach employed by PZU and what the company's current efforts in these areas entail."
Comment made during a dialogue session

Issues relating to information security are treated in the PZU Group with great diligence and attention. A multiple-layer system to protect against cybersecurity threats functions across the company and is being developed.

In 2018 a special training platform called GoPhish was launched. It explains in an easy to understand way the threats following from messages, among others, containing malicious elements and prompting people to open suspicious pages. In addition, two campaigns were organized in which the Security Department’s training film was shown to employees who by oversight opened a link to pre-prepared messages containing information on how to avoid those threats in the future.

In 2018 a contract was executed to buy Infoblox technology concerning the ability to monitor and protect the DNS (Domain Name System) channel. The WAF (Web Application Firewalls) system was also expanded. It is used to protect web applications and the PIM system (Privileged Identity Management) used to manage privileged accounts and monitor the actions of privileged users and external suppliers in information systems to provide for the squaring of accounts on access to systems, in particular with the utilization of shared accounts.

Procedures to manage the security of information processes were implemented in PZU, Pekao Group companies and

in several foreign companies. A package of regulations pertaining to personal data processing, including security policies containing requirements pertaining to IT processes was implemented in PZU Zdrowie and its subsidiaries. In turn, PTE PZU introduced the guidelines issued by the Polish FSA concerning the management of areas involving information technology and ICT environment security in universal pension fund management companies.

[GRI 418-1]

1,296 incidents of providing data without an entity’s consent in the PZU Group companies were registered in 2018. 771 of these cases occurred in the Pekao Group, 457 in Link4, 19 in the Alior Group, 41 in the foreign companies and eight in the other Group companies, including PZU, PZU Życie and PZU Zdrowie and its subsidiaries. These incidents concerned the disclosure of personal data and data subject to banking or insurance secrecy to unauthorized persons. They were related to sending e-mail correspondence to an improper address to unauthorized persons and in most cases they resulted from human errors.



Three grievances were lodged by external entities in 2018 with PZU and PZU Życie. The grievances were for the provision of data without an entity’s consent and were recognized by the organization.

All the incidents were analyzed to improve processes.

Cybersecurity in 2018:

- 8 thousand** potential infections fended off
- more than 170 million** attempts of making a connection to send malicious
- more than 1.4 million** blocked malicious e-mails
- more than 1.8 million** high risk attacks fended off
- more than 6 million** blocked links to insecure resources,
- 36 thousand** analyses conducted
- 538** initiatives opined
- 183** manual security tests conducted
- 163 thousand** detected vulnerabilities to threats, including 17 thousand critical cases

Combating new forms of internet attacks calls for constantly refreshing knowledge. That is why the employees responsible for PZU’s information security are honing their skills the entire time. PZU experts participated in 11 training courses, 10 conferences and two workshops in 2018. The following certifications were obtained: Certified Ethical Hacker, Continuous Monitoring Certification (GMON), Cisco CCNA Cyber Ops.

Tests of IT systems

Rolling out and selling products and customizing the offer to evolving client needs is an enormous challenge for the Group’s information systems. For these changes to proceed smoothly and not to disrupt client service, the organization has crafted a recurring information procedure embracing the widest possible set of tests and checks. This procedure guarantees early detection of threats and possible problems and supports the appropriate management thereof.



3 Employee issues

"We are interested in what the Group's employee policy involves".

Comment made during a dialogue session

"The times when a career in PZU followed marked paths belong to the past. Today we expect employees to think: out-of-the-box ideas, ideas that break molds and INNOVATION are not just welcomed, but are simply a must for the company to be able to set trends on the financial services market in the 21st century. The fact that we know our clients better than anyone else on the market is a challenge for us, to ensure that we like no one else search for new solutions for these clients. I believe that we at PZU are doing a great job at discharging our duties here."

Tomasz Kulik, Management Board member of PZU and PZU Życie, CFO of the PZU Group

Sustainable Development Goals (SDG)

Objective 8. We promulgate stable, sustainable and inclusive economic growth through full and productive employment and dignified work for all

PZU Group's policies [UoR]

[GRI 103-2]

PZU's ambition, as defined in the New PZU strategy for 2017-2020 is to be the Employer of first choice in the financial industry. The Group wants to hire the best and most engaged staff on the market and attain a high level of retention of the most talented people in the organization. For this to be plausible, strategic actions targeting employees are being phased in or planned:

- new quality of corporate culture,
- promotion of entrepreneurship, innovativeness and team work,
- set of actions to retain key employees,
- improved response time to reported intentions to quit,
- transparent development path.

"New PZU also means new quality of organizational quality. We have managed to depart from internal rivalry between various teams and departments. The projects being implemented are an example of successful cooperation not just between management boards but above all mid-level employees. A great deal has also changed in the matter of devising new solutions inside the organization: the fear of failure and its repercussions no longer paralyzes innovation; the failures of various ideas are treated as a stage of building an operating solution"

Aleksandra Wolska Managing Director of HR in the PZU Group

3.1 Human Capital Management

We are responsible - "we strive to manage employee knowledge carefully and responsibly. We build an effective legal and business structure in the PZU Group aligned to its business profile, thereby enabling us to do business effectively."

The fundamental document regulating the issue of managing employee matters is the Human Capital Management Policy in the PZU Group adopted in 2018. This Policy's objective is, in particular, to lend support to the execution of the PZU Group Strategy by doing the following:

- safeguarding business needs in human capital management,
- ensuring coherent and integrated rules for human capital management,
- conducting coherent actions in human capital management.

In addition, topics related to managing employee issues have been captured in PZU's Best Practices that define:

- common values and rules for ethical management,
- working conditions (among others remuneration policy, benefits unrelated to pay),
- competence development,
- occupational safety and health.

"It is worthwhile to portray the fundamental employment ratios illustrating the degree to which the policy of equality is being followed, including the number of men and women employed by the company, the percentage of employment by gender at various positions."

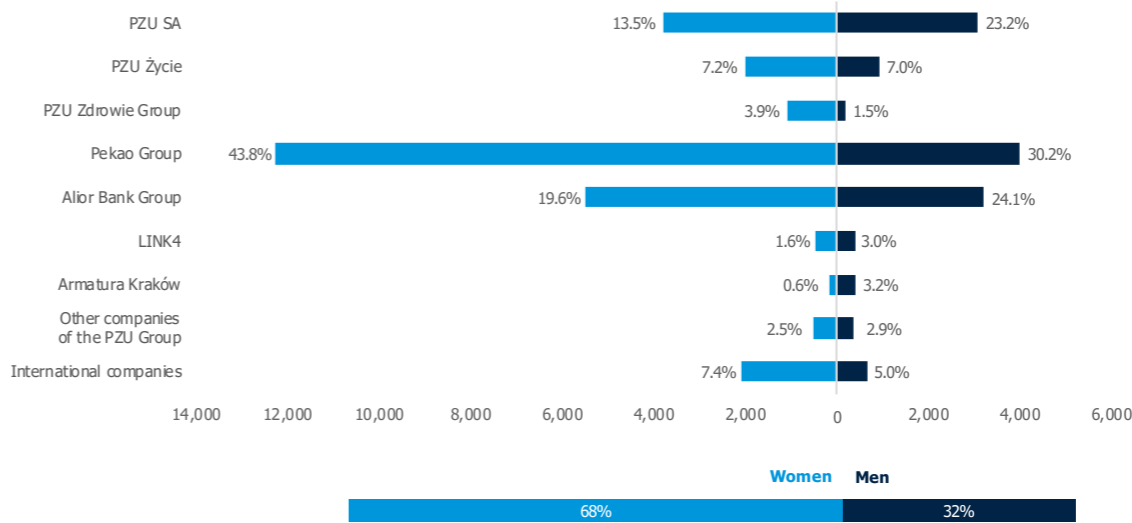
Comment made during a dialogue session

[GRI 102-8]

At the end of 2018, the PZU Group had 41,345 employees (converted into FTEs); 24% of them were employed in PZU and PZU Życie, 3% in PZU Zdrowie and its subsidiaries, 21% in the Alior Bank Group, 39% in the Pekao Group and 7% in international companies. Women account for the better part of employees across the overall PZU Group (68%).

The most women are employed in PZU Zdrowie and its subsidiaries, they represent 85% of the persons employed. This percentage is 75% in the Pekao Group. Women account for the majority in our international companies (76%).

Total number of employees by gender (converted into FTEs):



Total number of employees by structure of employment:



13% of the employees are employed in managerial positions in the overall PZU Group. The largest number of people employed in this position is in PZU and PZU Życie. They represent 16% and 14%, respectively, of the employees converted into FTEs. They account for 14% of all the employees converted into FTEs in the Pekao Group and LINK4. Armatura Kraków has the lowest number of managers (6%).



[GRI 401-1]

Total number of newly-hired employees by gender (converted into FTEs):

Total number of employees by:	PZU			PZU Życie		
	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees
Women	4,015	406	10.1%	2,005	223	11.1%
Men	2,991	375	12.5%	922	195	21.2%
Total	7,006	781	11.1%	2,927	419	14.3%

Total number of newly-hired employees by age (converted into FTEs):

Total number of employees by age:	PZU			PZU Życie		
	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees	Number of employees	Number of newly-hired employees	Percentage of newly-hired employees
<30	717	140	19.6%	259	68	26.2%
30-50	4,948	527	10.7%	2,127	294	13.8%
>50	1,341	113	8.5%	541	57	10.5%
Total	7,006	781	11.1%	2,927	319	14.3%

Total number of cases of attrition among employees by gender (converted into FTEs):

Total number of employees by:	PZU			PZU Życie		
	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees
Women	4,015	327	8.2%	2,005	179	8.9%
Men	2,991	249	8.3%	922	110	11.9%
Total	7,006	576	8.2%	2,927	289	9.9%

Total number of cases of attrition among employees by age (converted into FTEs):

Total number of employees by age:	PZU			PZU Życie		
	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees	Number of employees	Number of cases of attrition among employees	Percentage of cases of attrition among employees
<30	717	114	15.9%	259	44	16.9%
30-50	4,948	353	7.1%	2,127	181	8.5%
>50	1,341	109	8.1%	541	64	11.8%
Total	7,006	576	8.2%	2,927	289	9.9%



3.2 Working conditions

Everyone has equal opportunity - "our relations are predicated on this principle. Employees have equal opportunity and chances in all the processes in the PZU Group, from recruitment to performance assessment, promotion, professional development to participation in training. Gender, age, degree of ability, nationality, faith, political convictions, trade union membership, ethic background, sexual orientation and nature of employment are of no consequence."

"People build every company. Since the PZU Group has been present on the market for decades it is possible to encounter an unrivaled combination in Poland of generations, competences and practices. Employees who through their many years of experience have enormous market knowledge and procedures and young people who are conversant with the latest technologies and trends are jointly shaping our corporate culture. We have managed to combine these worlds under a single roof and create a space in which both competences mutually complement and intermingle. Thanks to that products and services may be formed, where neither of these groups would have been able to create them on their own."



Szymon Mitoraj, Managing Director of Digitalition in PZU and PZU Życie

PZU Group's policies [UoR]

[GRI 103-2]

PZU Group companies offer a friendly environment and work atmosphere and development opportunities. Employees' work life balance is held in high regard. PZU discharges on a timely basis not only its financial liabilities to employees but also applies clear principles in the operation of our organization. Safe forms of employment are used and employees make a contribution to streamlining the operation of the company.

PZU provides its employees equal opportunities for development to enhance their skills, being promoted and compensation, while having regard for employees' individual potential, their accomplishments and work performance.

Respecting the personal dignity of employees is an important aspect of organizational culture.

Principles supporting diversity and equal treatment span all career stages in PZU, starting from the recruitment process to the duration of the employment relationship (employment terms, access to training and development-minded activities, opportunities to be promoted) to the termination of cooperation.

PZU confirmed its will to pursue a diversity policy by joining the signers of the Charter of Diversity in 2013.



The employees of PZU and PZU Życie may count on attractive financial pay and a unique package of benefits. They include, among others:

- Employee Pension Plan - every month the employer makes a contribution forming 7% of salary to the employee's individual account provided that he or she has enrolled in the EPP, i.e. the maximum permitted by the law.
- rich medical care package - extensive list of specialist physicians and medical centers,
- insurance for medicine - gives the right to purchase prescription medicines from an extensive list with an 80% discount,
- benefits from the Company Social Benefit Fund that exceed the standard, including:
 - loans for housing purposes,
 - "cafeteria" system giving employees access to a recreational base in Poland and abroad, access to a broad cultural offer (all the cinema networks and studio cinemas, theaters, philharmonic theaters, museums, concerts), recreation and sports offer (two sports subscription cards, individual tickets to sports facilities and clubs)
- discount on products offered by the PZU Group,
- relocation benefit in case of a change of the place of work within the PZU Group at the employer's initiative,

- management package for senior management,
- support for extracurricular activities, including the option of practicing sports in specialist sections of the PZU Sport Team, option to use the employee gym in Warsaw and Szczecin and employee volunteerism.

BEST PRACTICE



PZU Group companies have in force rules and regulations pertaining to bonuses and bonuses and commissions. The high quality of the work done by PZU Group employees is therefore additionally rewarded.

The basis for determining an employee's base salary is not his or her gender, but the value of the job position in question, the competences held by an employee and his or her job assessment.

The remuneration policy was adopted in PZU and PZU Życie in 2016. It lays down the rules for compensating the employees of the companies. Above all, the purpose of this document is to ensure that our operations are in line with the company's risk profile, that we achieve our intended business result and that we attain our business objectives within the framework of the risk limits prescribed by the Management Board. It is also important to motivate employees to enhance their work efficiency constantly and ramp up their commitment while simultaneously linking their pay to the performance of the company, cell or organizational unit in which the employees are employed.

PZU and PZU Życie employees are covered by collective agreements, including the Company Pension Agreements. Pekao Group companies have pay-related policies related to their size and distinct business, the remuneration rules are laid down, among others, in the Collective Bargaining Agreements. Each one of the companies in the Alior Bank Group has implemented a remuneration policy. The same applies to PZU Zdrowie and its subsidiaries.

BEST PRACTICE



Employee commitment study

Putting together an engaging work environment is one of the priorities for the upcoming years and an important element of the firm's strategy for 2017-2020. Regular commitment studies afford an opportunity to obtain information about how changes in the organization are affecting employee sentiments, satisfaction with various aspects of work and employee attitudes - do they feel like they are company ambassadors, do they see their future intertwined with the company and do they feel sufficiently engaged by the employer to inject more effort in attaining their objectives. Employee opinions make it possible to specify the direction in which it is worth modifying the company to create an even better place of work. They are also an invaluable source of inspiration in crafting specific solutions, e.g. development activities, working conditions.

Regular studies and discussions with employees on the results obtained and initiatives to streamline enable one to shape organizational culture to support the sharing of feedback at every level of the organization. We are keen on the development activities related to building and bolstering commitment forming a permanent element of the work done by managers and all employees, and not just an extemporaneous activity after another study. We believe that by constantly tending to building commitment, PZU will become an even better place of work, and that will translate into the company's competitiveness.

In December 2018 an Employee Engagemenet Study was administered. Its purpose was to learn about their opinions and needs related to working for the PZU Group. 8,097 people took part, i.e. some 73% of the employees invited to join the study. Such a high turnout, some 21 percentage points higher than last year, gives an assurance of the results being indicative and puts forward more ideas about change. Employees eagerly shared their thoughts. They conveyed nearly 15 thousand comments in response to open questions .

Employee involvement rate in the PZU Group in 2018 it increased by 5 p.p. up to 40%.




The company is in continuous dialogue with the trade unions. PZU and PZU Życie hold regular meetings with all social partners. On average, such meetings take place every other week and last at least two days. The schedule of such meetings along with the agenda is delivered to trade union representatives before each quarter. Social dialogue – run by a section specially appointed for this purpose in the HR Department – is inscribed into the company’s organizational culture and forms one of the tools for strategic management.

Occupational safety and health issues
PZU Group’s policies [UoR]

[GRI 103-2]

Formally, occupational safety and health (OSH) management is regulated by a number of internal documents and instructions concerning OSH. PZU and PZU Życie, and the other PZU Group companies, discharge their legal duties related to occupational safety and health (among others, conducting an assessment of occupational risk on work stations, accident analysis, employee training).

 The occupational safety and health policy has been in force in PZU and PZU Życie since 2015. This policy obligates the PZU Group’s OSH team to do the following, among others:


- prevent accidents and occupational diseases,
- strive to improve occupational safety and health constantly and conduct periodic inspections,
- deliver training on OSH, including on how to give first aid.


To streamline activities related to occupational safety and health, the PZU Group companies have commissions that operate with the following task:

- conduct a review of working conditions,
- conduct a periodical assessment of the state of occupational safety and health,
- give an opinion on the means undertaken by the employer to prevent accidents at work and occupational diseases,

- articulate conclusions on improving working conditions and cooperating with the employer to discharge its duties relating to occupational safety and health.

The units or departments created for this purpose and operating according to the internal regulations of companies and customized to the type of business conducted are responsible for occupational safety and health in the other PZU Group companies.

 The vast majority of the OSH regulations in the branches (medical centers) of PZU Zdrowie and its direct and indirect subsidiaries are of a local nature and are related to the distinctive nature of their operations and the market on which they function (e.g. the expectations of the local branch of the National Health Fund). Polmedic has rolled out the OSH Management System according to OHSAS 18001:2007.

 Internal rules and regulations concerning employee issues are convergent with the regulations in force in PZU and PZU Życie in the investments area, while observing the differences ensuing from the distinctive nature of the company’s business.

[GRI 403-2]

In 2018 the Group PZU companies did not have any work-related fatal accidents.

The number of work accidents and accidents treated as being equivalent to work accidents was limited to the level of events of chance in 2018. Working conditions are strictly compliant with the legal requirements prescribed by regulations in occupational safety and health.

Number of work-related accidents and incidents by gender:

	PZU		PZU Życie	
	Women	Men	Women	Men
Total number of work accidents (incidents)	20	20	4	0
Total number of persons injured in accidents	44			

Lost days rate (LDR) by gender¹:

PZU		PZU Życie	
Women	Men	Women	Men
1,213.2	1,955.0	348.0	0

Accident incidence rate (IR) by gender²:


PZU		PZU Życie	
Women	Men	Women	Men
2.1	2.1	0.7	0

Accident severity rate by gender³:

PZU		PZU Życie	
Women	Men	Women	Men
22.7	36.5	21.0	0

In addition, 4,185 employees of PZU and PZU Życie took part in 141 training courses on pre-medical first aid in 2018: participants checked their knowledge on fantoms. The rules for using an AED defibrillator were also presented.

In total the PZU Group recorded 162 work accidents, with the largest number in the Pekao Group (55 accidents), PZU (40 accidents) and the Alior Bank Group (36).

 Every newly-hired PZU employee goes through advanced training courses related to occupational safety. 425 periodic training courses were delivered in 2018 at which 3,469 employees of PZU and PZU Życie were trained. The purpose of the workshops was to update knowledge and skills on how to work safely.

¹ Rate calculated per 100 employees using the equation: total number of lost days / number of planned hours of work by employees in the reporting period * 200,000. The index of 200,000 was determined on the basis of the total annual number of hours worked by 100 employees assuming 40 hour work weeks for 50 weeks a year.
² Ratio calculated per 1,000 employees using the equation: total number of persons injured in accidents / headcount * 1,000.
³ Rate calculated using the equation: number of days of inability to work because of an accident / number of accidents.

3.3 Employee development



Nasza wiedza i pomysły - "we protect all our resources, including information constituting the PZU Group's intellectual property. Databases, registers and archives are managed in accordance with the law and the PZU Group's internal regulations. Intellectual resources form an exceptional value in the company. They set us apart on the market, they feed into our unrivaled product offer and they form the basis for the PZU Group's market successes. That is why we afford special protection to them. We are conscious that their partial or total loss could lead to clients losing trust in the PZU Group, or to a breach of reputation."



"We are changing to attract the best employees from the market. We are streamlining our remuneration policy. We will develop our individually aligned development and career path programs. We are already implementing the #YouCreatePZU and #NowYou pilot programs. We are focused on creating an engaging work environment and close cooperation between HR competences and business."

Anna Barbara Wróbel, Director of Organizational Development in PZU and PZU Życie

The PZU Group strives to be an employer that gives its employees above-average and flexible development opportunities at an individual and team level and at the level of the overall organization. In planning its development activities it frames them in the context of its strategic business objectives and attaches great importance to selecting optimum forms of development. They contribute to work productivity and employee engagement in the long-run.

The approach to comprehensive development developed in the PZU Group is based on organizing general corporate activities dedicated to various employee groups and individually addressed activities. Training courses and workshops are frequently supplemented with activities which employees do on their own before a training course (form of preparation) and after its completion (mastering knowledge, exercising skills). Enriching traditional training schools with modern solutions such as e-learning, webinars and virtual reality means that the educational offer is ever more attractive, and more widely accessible to employees.

PZU Group's policies [UoR]

[GRI 103-2]

Most of the PZU Group companies have implemented dedicated procedures and principles related to planning and organization of training and all development activities for employees.

Forms of development support available in PZU:

general corporate	dedicated	on-line	individual
<ul style="list-style-type: none">#TyTworzyszPZU program [#YouCreatePZU]New manager	<ul style="list-style-type: none">Workshops and skills training sessionsTalent development programs (e.g. the program for sales employees called #TerazTy [#NowYou])Facilitation of team work (including graphic facilitation and solutions involving rivalry through games)	<ul style="list-style-type: none">E-learning coursesEducational and interactive animations pdf files / infographicsWebinarsVideo materials with internal experts	<ul style="list-style-type: none">Support during on-boarding, mentoringCoachingEducational subsidies (post-graduate courses)Consultations with an expert/trainerParticipation in open training courses / workshops and conferences

PZU's priority is to take care of effective knowledge management in the organization - maintain, share and utilize it across areas. That is why more and more frequently managers and specialists are engaged in internal development activities as authors of training programs, educational materials and internal trainers.

"What the company offers its employees to raise their qualifications, i.e. mentoring and skills improvement programs should be pictured." Expectation from the dialogue session.
Comment made during a dialogue session



BEST PRACTICE



The Bank Pekao Group does not have a joint policy for all its companies; however, employee training and development procedures and training instructions have been rolled out. Regulations are being implemented and pursued according to the legal regulations, including ones referring to the capital market.



The Alior Bank Group has not implemented a joint policy. Employee training programs, in addition to training policies, are delivered on soft skills and hard and technical skills in various companies.



Training plans are run for a given financial year in PZU Zdrowie and its subsidiaries while giving consideration to internal and external training. Detailed procedures, depending on the company, are specified in various documents, i.a. in the Collective Bargaining Agreement or Human Resource Management Procedure.

Additionally, rules for the organization and financing of training and development activities for employees are in force in all the companies.

[GRI 404-1]



Average number of training hours per employee by gender in PZU and PZU Życie (data presented collectively) in 2018⁴:

	Women	Men
Total number of train-ing hours	149,909	99,939
Number of employees	6,056	3,959
Average number of training hours	24.8	25.2



Average number of training days per employee hired under an employment contract in the Bank Pekao Group is 4.08.



Average number of training hours per employee by structure of employment in PZU and PZU Życie (data presented collectively) in 2018:

Structure of em-ployment	Total number of employees	Total number of training hours	Average number of training hours
Management ⁵	1,670	23,374	14.0
Other employees	8,345	226,475	27.1

⁴ Estimated data on account of not compiling statistics in this area. Data presented as FTEs.
⁵ Persons under a management contract are not employees of PZU hired under an employment contract.



[GRI 404-3]

All employees in PZU and PZU Życie to whom bonus systems apply undergo thereunder regular job quality assessments (annually and quarterly).



Percentage of employees subject to regular assessments of work quality and professional development by gender:

Structure of employment	Percentage of all em-ployees subject to as-sessment in PZU by gender		Percentage of all employees subject to assessment in PZU Życie by gender	
	Women	Men	Women	Men
Representatives of the Man-agement Board	100%	100%	100%	100%
Management	100%	100%	100%	100%
Other employees	100%	100%	100%	100%

Regular assessment of the level of attaining objectives and the quality of work makes it possible to verify developmental needs and the action plans focused on developing specialist knowledge to help employees achieve their business objectives and interpersonal and managerial competences – indispensable to engage in effect cooperation.

[GRI 404-2]

A development program called New Manager has been prepared with people in mind who are taking up managerial positions in the PZU Group for the very first time. The program’s goal is to acquaint the people with the expectations placed on managers in PZU in terms of their management style and competences (in this manner the Group shapes the desired leadership model). During workshops managers are trained on key managerial competences, inter alia, on providing constructive feedback, holding talks with reports, task management and planning a team’s work. The traditional formula for training is embellished with webinars, teleclasses in micro groups and online tasks.

68 people took part in the New Manager course in 2018.



PZU management may also take advantage of an individual form of support in development, namely a coaching program. External coaches and PZU employees with the appropriate training and experience administer this program.

Coaching is dedicated above all to managers during a time of change, when it is necessary to develop work productivity or devise new solutions. The decision to select this form of development is examined in every case in PZU with the interested person, his or her boss and the HR Business Partner. The interest in coaching is growing from year to year, while new groups of employees, also ones who are not managers voice their demand for this form of development.

The #YouCreatePZU program inspired by the Management 3.0 idea rounds out the training activities regularly conducted in PZU. It is run in the form of regular one-day-long workshops. The topic of the workshops refers to the competences whose development underpins strategy execution and advances innovation, entrepreneurship and team work.

This program aims to augment employee engagement by supporting employees in personal development. It acts as an invitation to co-create the organization by showing that every employee can exert an influence on his or her place of work and may cultivate his or her strengths while simultaneously attaining the organization’s business objectives. The fact that the workshops are run by internal experts and trainers merits attention. This expands the opportunities to develop the program in such a manner that it will contribute to forging a lasting community of employees and a platform for sharing knowledge and best practices. The program is dedicated to all employees from all areas and from all locations in

Poland, thereby contributing to developing cooperation across business areas. In 2018 nearly 500 employees took part in the program while classes were held in nine venues. The #YouCreatePZU workshops made it possible, among other things, to build a contact network and share experience in employee groups from different organizational units.

BEST PRACTICE



The #NowYou program has been prepared for employees of the PZU Sales Division.



This program was crafted by practitioners. 31 ambassadors from 13 Sales Areas working on a daily basis at specialist and managerial positions and a 14-person project team from the company’s head office and sales directors got involved in the process. #NowYou expands salespersons’ competences at an expert and managerial level. It is a voluntary program for people who want to improve their qualifications, gain new skills and get to know other areas of the PZU Group’s business.

Sales Division employees can choose from two development paths: expert or managerial paths. All the participants take part in three qualification stages with each one lasting four months. Compulsory tasks are the basis for passing; in addition, facultative tasks also give points. The #NowYou offer includes, among others, external training, e-learning, webinars and workshops run by PZU Group experts.

The program was launched in 2018, and after completing the qualification stage in 2019, the winners will be selected to participate in a special two-year program. An individual development plan in PZU realized with the support of superiors awaits the best. Profile post-graduate course of study will act as a supplement to the program.



3.4 Knowledge sharing

"I am curious about the issue of sharing knowledge and experience as such a large company with smaller entities."

Comment made during a dialogue session

The knowledge and experience of the PZU Group’s employees represent the company’s enormous capital. As we understand how important this is for the society and the economy, PZU rolled out new knowledge sharing standards. Participating in various types of events, conferences and symposiums and activities to benefit business development, science, new technology and financial education makes it possible to convey some of the expert knowledge to employees and the company while showing our care for the common good.

[GRI G4-FS16] One example of such an approach is the issue of properly estimating risk. This is a key skill in many positions, not only ones that are directly related to the insurance industry. Many outstanding experts related to this area work in PZU. In 2018 the company prepared an offer containing a post-graduate course of study lasting one month and open to all on risk management in a business related to insurance. A new course of study – designed by PZU LAB in collaboration with the School of Business at the Warsaw Technical University – fills the gap on the educational market, while its curriculum addresses competence-related requirements. The program spans interdisciplinary lectures and case studies. Experts who work on a daily basis at the tangential point between business and science, i.e. in institutions and engineering offices will run this program.

All the persons who would like to enlarge their familiarity with insurance and risk management can be participants: brokers, agents, risk managers, students and adepts of the art of insurance. The post-graduate course of study is the main part of the project entitled PZU LAB Academy whose purpose is to advance insurance risk management.

33 students took part in the first edition of this course of study.

CORE CURRICULUM FOR THE POSTGRADUATE COURSE OF STUDY:

- legal conditions of the insurance market in Poland
- underwriting
- reinsurance
- operational and financial risk management
- project and team management
- vehicle fleet management
- mechanisms whereby claim events occur in industry
- building a corporate culture
- natural and IT threats
- innovations in insurance
- understanding organizational culture and business culture
- diagnosing client needs and effective communication

Programs for students

Internships and apprenticeships are also a method of sharing knowledge. They allow students to gain professional experience and get to know the organizational culture of a large organization. The 2018 apprenticeship and internship program in PZU took place in two periods from July (3-month vacation apprenticeships and 6-month internships) and from October (6-month internships). To entice students to take advantage of PZU’s offer, in the spring of 2018 the PZU Group ran an offline recruitment campaign (PZU Group Days and work fairs) and an online campaign (social media activities among others). As a result, on average, 82 submissions were received for each one of the apprenticeship and internship offers, or 46% more than in 2017.

BEST PRACTICE

PZU organized Business Open Door Days for students from across Poland in 2018. During the workshop young people faced real business problems and familiarized themselves with the distinct nature of the daily challenges met in the area they have selected. Students had a practical opportunity to put to a test the knowledge gained during their studies.

PZU employees ran 13 student workshops in total in 2018 on various subjects, among others:

- project and process management,
- strategy and innovation,
- IT,
- e-commerce,
- marketing,
- CRM analysis,
- effective communication.

1,367 persons from across Poland submitted an application to attend the workshops, while 162 received an invitation to participate in the Open Business Days event. The substantive level, form, preparation of trainers and topic were evaluated by the participants as being at a high level – the evaluation surveys affirmed that. 94% of the participants would recommend that their acquaintances take part in our project.

A total of 24 PZU Academic Ambassadors and Advisors operated in the largest academic centers in Poland in 2018. This is a group of active people who connect the PZU Group with the student community. During the academic year each one of them organized at least two events with PZU: a fall and spring edition of the PZU Group Days. During these events initiatives addressing students were promoted (chiefly Business Open Door Days and the apprenticeship and internship program). The Ambassadors and Advisors also supported PZU during work fairs and during events organized by the student organizations and universities cooperating with the Group.

BEST PRACTICE

PZU experts took part in the work of Commissions, Sub-Commissions, Sections and Working Groups of the Polish Insurance Association. This work focuses on analyzing legislative bills, drafting assumptions and agreeing on market practices, while the purpose of these activities is to devise coherent solutions to protect and improve the conditions for the insurance market to function.

4 PZU Group’s social commitment



Sponsoring and prevention - “prevention and sponsoring activities may take place solely in accordance with the binding regulations of law and the principles laid down in the PZU Group’s internal regulations. For many years now we have been administering our own prevention programs and we support projects that propagate safe behavior on the road and water and in the mountains. The high-profile PZU Foundation also acts charitably to benefit private persons and non-profit organizations. We also cooperate with organizations that help local communities.”

PZU Group’s policies [UoR]

[GRI 103-2]



“I would like to learn more about social programs: what was the duration of the various campaigns and their outcomes. What is the impact achieved by the activities and social initiatives undertaken by the PZU Group?”

„How does the PZU Foundation manage its financial resources? What are the goals for which they are used?”
Comment made during a dialogue session

“Being a leader obligates one not only to behave responsibly but also to shape the appropriate models. One aspect of management, namely social engagement among insurers takes on special meaning because it means taking responsibility for others. That is why for many years we have taken specific and measurable efforts to this end when utilizing the prevention fund.”



Joanna Gorczyca, Director of Prevention and CSR



Bank Pekao’s charitable activity is largely carried out by the Doctor Marian Kanton Bank Pekao Foundation, which was established in 1997. The Foundation’s objectives stipulated in its articles

of association include providing support in education and rearing of children and youth, scientific and research projects and educational projects of scientific institutions and schools, popularization of the knowledge of banking, helping sick and disabled persons, protecting the environment and popularizing culture. On account of the organizational changes begun in the Foundation in 2018, no new initiatives were undertaken, though projects stemming from previous commitments were pursued as aid was earmarked, among other things, to provide scholarship aid to gifted students and pupils from unwealthy families.

LEGAL BASIS FOR PREVENTION

The prevention fund of PZU, PZU Życie and TUW duly operates on the basis of the Insurance and Reinsurance Activity Act of 11 September 2015.



The PZU Group gets involved in social programs to reduce risk and simultaneously produce business and social benefits. It is our ambition to retain our leadership position in prevention activities when it comes to safety and health in Poland. We run initiatives whose major objective is to prevent accidents, reduce their repercussions and support activities advancing health prevention.

Prevention activities

In its strategy for 2017-2020 PZU and PZU Życie stated that it intends to designate more than PLN 50 million per annum for social activities. In 2018 the total amount of funds transferred for prevention, sponsoring activities and to the PZU Foundation surpassed PLN 86.8 million. In addition, other Group companies (incl. banks) transferred over PLN 13 million for social activities. Since 2012 PZU employees have conducted 370 of their own projects through volunteerism and have aided 67,700 beneficiaries. In 2018 PZU Group employees dedicated 11,674 hours of volunteer work, representing the equivalent of nearly six years of full-time work by a single person¹.

Why do we get involved? According to our Foundation’s motto, we want to be “Close to people and their needs.”

The PZU Foundation operates on the basis of the regulations of the Act of 6 April 1984 on Foundations (Journal of Laws of 1991, Number 46, Item 203 as amended) and of the clauses of the Foundation’s Articles of Association.



Issues related to CSR in the PZU Group are governed by the “PZU Group’s corporate social responsibility strategy for 2018-2020”. This document details the strategic pillars for PZU’s social engagement: safety, health, culture and expertism.

„PZU Group’s corporate social responsibility strategy for 2018-2020” has been adopted by PZU, PZU Życie, Tower Investments, PZU CO, PZU LAB, PZU Pomoc and four international companies. Work is in progress in PTE PZU to implement the strategy. The strategy has not yet been rolled out in the other companies.

There is no single policy on charitable and sponsoring activity in force at the corporate group level.

The Alior Bank Group and PZU Zdrowie and its subsidiaries have not implemented any policy. The companies duly run their social activities based on the Code of Ethics and the Code of Conduct.

Several companies in the Pekao Group (Pekao Faktoring, CDM Pekao, Pekao IM/Pekao TFI and Pekao Property) have implemented donation and CSR policies.

Link4 adopted a Policy for cooperation with local communities and for charitable activities.

Detailed policies concerning charitable activities have been introduced in foreign companies (AAS Balta, Lietuvos Draudimas and PZU Branch in Estonia).

[GRI 102-12] How do we operate?

- Prevention campaigns
- Sponsoring and social activities pursued at the corporate level by PZU and its various entities in Poland and abroad
- The PZU Foundation, including aid programs in cooperation with non-governmental organizations
- Independent voluntary actions undertaken by employees

In what sort of challenges do we get involved? Where do we strive to exert a positive impact?

- Safety
- Health
- Patron of Polish culture
- Expertise
- Education

Sustainable Development Goals (SDG)



Objective 3. We help ensure all Poles a healthy life at all ages.

¹ Under the assumption of 250 work days a year.





BEST PRACTICE

AB Lietuvos draudimas implemented the charitable and sponsoring policy. According to the policy, the main areas of sponsoring are as follows:

- safety on the road,
- communities and relations with them,
- youth and social integration and financial education,
- history (promotion of modern heritage).

4.1 Enhancing safety

Safe work environment - “we provide our employees, associates, subcontractors and suppliers with suitable and safe working conditions. Everywhere where we do business we abide by the law, requirements concerning the natural environment, health and safety. We care about work safety and we eradicate any and all situations and circumstances that may pose a threat. We adhere to the rules of safety in the work environment.”

“How PZU prevents road accidents”

“What actions does it conduct in corporate social responsibility to provide assistance and care to injured parties?”

Comment made during a dialogue session

For years the PZU Group has been focusing on prevention: it points to proper behavior, it supports preventive campaigns and it demonstrates its care for rescue services.

Safety on the road is a special area of activity. PZU has consistently supported education and training for road participants and administers social campaigns to augment the safety on Polish roads. The company also transcends industry standards in handling the consequences of accidents and provides among other things unrivaled support for injured parties.



PZU has shown special care for the safety of the youngest members of society on the roads. Cultivating an awareness of this subject among children at an early age about how to move about on the street will have an enormous impact on their lives and health. In 2018 a nationwide campaign was organized under the name of “Reflectors: keeping children safe on the road” as a result of which 1.6 million reflectors were given to pupils.

BEST PRACTICE

Two seasons of the series entitled “Seconds that altered life” have been broadcast in Polish Television since mid-2017. 12 episodes of this documentary series advancing safety on the road have been produced two times now thanks to PZU’s support. This was a tale of breaking barriers and overcoming difficulties. This series has helped raise Poles’ awareness of safety, prevent accidents, analyze their causes and instill proper models of conduct by presenting the frequently dramatic fate of the protagonists. This program has made it possible to convey safety-related content to several million Poles (based on viewership polls). A third season of this series is being planned.



“The most important thing for a guardian is the safety of his or her child; however, children frequently treat this subject with reserve. It seems to be boring and distant to them. That is why we have proposed something interesting whereby we managed to penetrate the world of the youngest children so that they would open up to talk about safety.”

Magdalena Kicińska, Managing Director on Marketingu in PZU Group


The campaign entitled “Reflectors: keeping children safe on the road” engaged not just the youngest children in education, but also their parents and teachers. A broad campaign was prepared under the patronage of the Minister of National Education, and in early September the PZU Group gave



away reflectors with the image of the Unfrightened One (Niestraszek) to all the children attending grades I-III in primary schools. This campaign’s range spanned public and private schools, a total of 14 thousand educational units.


In its efforts to care for all road traffic participants, including drivers, under this campaign PZU started to cooperate with NaviExpert - drivers who exceeded the speed limit in the vicinity of all 14 thousand primary schools received a message through their navigation unit requesting that they slow down. This information was read aloud using a child’s voice, and every driver could record the very same message with his or her own child in this role.

BEST PRACTICE




Safe holidays with PZU

PZU conducts this prevention campaign whose aim is to disseminate knowledge among children and adults about how to protect themselves against the most frequent accidents that occur during summer recreation. Under this project the “Sunny Station” of Polsat Television was organized. Over seven holiday weekends this TV station paid visits to seven tourist communities.




PZU’s safety zone included the following: the city of unfrightened ones (Niestraszki) for the youngest participants of the campaign, health advice offices for adults and a physical activity zone for all holidaygoers. The unfrightened ones educated the youngest children through fun and games to show them how to behave close to water, in the mountains, on the road and how to prepare to travel safely and how to safeguard their homes.



Spectacles with the unfrightened ones were staged on the main stage of the “Sunny Station”. Qualified trainers invited people to take part in athletic games and fun events in the health zone. The holidaygoers could pay a visit to the PZU Zdrowie office and participate in consultations with a dermatologist or a dietician and measure their body mass.

This campaign is slated for continuation in 2019.

BEST PRACTICE




The PZU Foundation has been running a proprietary project called the Academy of Safety targeting primary school pupils since 2017.

- PZU Foundation’s Academy of Safety:
- safety on the road,
 - first aid,
 - threats related to stimulants, including, among others, designer drugs,
 - proper conduct in the face of a threat,
 - safety in the web,
 - defense against a violation of their own rights.


The Academy of Safety is a day-long event including fun and multimedia workshops run in selected schools across Poland. The police and medical services provide assistance in running the project. Academy experts visited 16 regions and 27 primary schools during the first edition of the project lasting from December 2017 until June 2018. 11 thousand pupils and several hundred teachers and guardians took part in these events. More than 20 thousand safety-related gadgets were also handed out. Training sessions were delivered during the second edition (September-December 2018) for more than 7 thousand pupils in 15 schools from 8 regions.

BEST PRACTICE



Rehabilitation stays for children with post-accident trauma

Since 2013 PZU has been running a comprehensive psychological support system for parties injured as a result of accidents whose perpetrator was a holder of a TPL policy with PZU. To mitigate the consequences of accidents the company underwrites the costs of stays for children with post-accident trauma and their guardians at rehabilitation stays during the winter break and summer vacation. This is a form of residential psychological therapy conducted in the therapeutic centers of the Teddy Bears Rescue Children’s Lives Association in Dźwierzyna and the Siemacha Association in Odparyszów. Annually, PZU lends a helping hand to roughly 120 persons.



For many years PZU has been collaborating with selected rescue services. Mountain rescuers are among the ones who can count on receiving assistance. PZU got involved in avalanche training organized by the Polish Freeskiing Association and TOPR. The participants learn how to engage in proper planning on mountain trips, how to avoid the avalanche hazard and how to behave after an avalanche. Mock rescue operations are also organized with the use of detectors; they also learn how to find people buried in an avalanche and how to administer first aid to avalanche victims.

BEST PRACTICE



Social involvement of foreign companies



LITHUANIA:

- The “Secure me” initiative was organized in 2018 for the 19th time in a row. In cooperation with the local government, Lietuvos Draudimas draws drivers’ attention to the importance of children’s safety on their way to school. This is one of the longest-standing CSR initiatives in Lithuania.
- The “I can help” initiative was a project carried out by the Lithuanian Red Cross in cooperation with Lietuvos Draudimas, aimed at training employees and clients in first aid techniques. The project lasted five months. The training sessions were held in 18 cities and 2,400 persons were successfully trained. Moreover, five training series were published in the form of video material available in social media and an e-book was published.

- UKRAINE:**
- Co-hosting of a national road safety contest.
- ESTONIA:**
- Financial contribution for a medical center helping children injured in road accidents.
- LATVIA:**
- Annual contest held for the safest corporate car fleet.

BEST PRACTICE



PZU has been supporting the Voluntary Mountain Rescue Service (GOPR) since 2005. The support given to GOPR contributes to enhancing the level of safety in the Polish mountains.

Various activities have been run over the last 14 years. Among others, equipment was purchased to administer rescue campaigns (e.g. 12 quads in 2018 and at the outset of 2019), training courses were financed for rescuers, educational efforts were taken jointly with GOPR (e.g. Safe Winter with GOPR) and an e-learning platform on safety was implemented.

- **222 857 hours** worked by volunteer rescuers
- longest rescue operations:
- **week-long** search for a forester – the Wałbrzych-Kłodzko Group
- **70 hours** of continuous work – the Podhale Group
- **48 hour** search for a 12-year-old boy – the Bieszczady Group
- **25 hours** of continuous work – the Beskid Group
- **63 female volunteer** rescuers work at GOPR
- GOPR operates in an area covering over **20,000 km2**; protecting **7,200 km** of hiking trails in mountain ranges from the Karkonosze Mountains to the Bieszczady Mountains
- GOPR receives **approx. 330** requests for rescue annually through the Ratunek [Rescue] app



4.2 Health

The promotion of health and active lifestyles is a special area of PZU’s social commitment. The Company is committed to providing support to both employees and the society as a whole. For a number of years, PZU has been a partner of half-marathons and marathons. Support is also provided to health care-related organizations: hospitals, clinics, hospices and foundations.

BEST PRACTICE

Support for running events

PZU has been successfully supporting running events for the general public since 2013. PZU’s presence in Poland’s largest and most prestigious events of this type ensures their high quality in terms of organization and a high attendance level.

In 2018, PZU continued to provide support to running events, including the 40th PZU Warsaw Marathon, the 17th PZU Cracovia Marathon, the 10th PZU Karkonosze Marathon, the 13th PZU Warsaw Half-Marathon, the 5th PZU Cracovia Royal Half-Marathon, the 12th PZU Run of Three Mounds, the “Wolves’ Trail” Cursed Soldiers Memorial Run, with the total attendance of **117,980 runners**.

- **40th PZU Warsaw Marathon** – the largest Polish marathon in 2018 and the second largest result in terms of attendance in the event’s history – **7,533** contestants at the finish line of the main run;
- **17. PZU Cracovia Maraton** – the second-largest marathon in terms of attendance in Poland in 2018;
- **13. PZU Warsaw Marathon** – the largest Polish half-marathon in 2018 with **12,476** runners at the finish line;
- **5. PZU Cracovia Royal Half-Marathon** - every year since the first run, the attendance has been increasing (with record attendance in 2018 of **8,757** contestants at the finish line).

BEST PRACTICE

“Safe Childbirth” program

Pregnancy and childbirth-related complications are difficult to predict and require swift action. It is extremely important to have properly trained obstetricians, neonatologists and midwives on duty in emergency situations that threaten the life of the mother and her child. According to global surveys, practical exercises run on advanced childbirth phantoms that simulate challenging clinical situations shorten the learning curve and improve the manual skills of physicians and medical personnel. Such training is extremely important for preventing childbirth complications, which are a growing cause of claims reported by patients.

The “Safe Childbirth” program covered the creation of the Obstetric Simulation Center (renovation and fitting of rooms), the purchase of specialist simulators, the creation of training programs and the preparation of the Center’s teaching personnel.

Currently, the Center trains doctors, midwives and nurses, among other professionals. Its instructors include obstetricians, perinatologists and neonatologists associated with the Warsaw Medical University’s Health Center for Women and Newborns.

Thanks to PZU’s involvement, the Center has been equipped among others with a High Faithfulness Childbirth Room offering the most technologically advanced phantom of Lucie, a woman giving birth, which allows for simulating both normal and complicated childbirth.

For several years now, PZU Zdrowie has been cooperating with the Polish Coalition of Oncological Patients. The activities include cancer prevention education, assistance to cancer patients and their families and promotion of a healthy lifestyle.

PZU Zdrowie also supports the innovative project entitled “We Study Genes” prepared by the Warsaw Genomics research

center in cooperation with the Medical University of Warsaw and the University of Warsaw. Through the prevention fund, the PZU Group provided funding for 400 research projects, while PZU Zdrowie supported organization of the campaign by making its medical infrastructure available. The cooperation between PZU and PZU Zdrowie in the “We Study Genes” project is slated to end with a report specifying the frequency of gene mutations determining the higher occurrence of cancer in the Mazovian population and a plan of preventive actions passed on to the tested individuals.

In 2018, PZU conducted activities to combat smog. As part of a partnership with the NASK National Research Institute, the company became involved in the Educational Anti-Smog Network (ESA) project. It is carried out by NASK in cooperation with the Polish Smog Alert. The goal of the activities is to promote knowledge on the protection of air and why smog forms, how it impacts health, as well as activities to reduce the level of pollution.

In 29 schools that took part in the ESA project, air quality meters and external boards displaying information on the current pollution level were installed. The results are sent to a central server. Also, trainings for teachers were conducted, i.e. project coordinators, whose knowledge will be later passed on to the students of the schools involved. The installation of pollution meters, an information board and educational activities were financed by the PZU’s prevention funds.

BEST PRACTICE

In conjunction with Women’s Day and Mother’s Day the PZU Foundation prepared an exceptional present for women employed by PZU. In 2017 and 2018, it organized mobile physician offices in which the women, during work hours, were able to get selected ultrasound examinations – breast, thyroid or abdominal cavity – free of charge, and get a medical consultation. A total of **460 examinations** were carried out in Warsaw, Opole and Poznań.

For years, PZU has supported sports activities among its employees. Every employee can practice his or her favorite sports in the specialist sections of the PZU Sport Team, and in Warsaw and Szczecin they can also use a company gym. At the end of December 2018, the PZU Sport Team had **953 members**.

Sports sections at PZU:

	running		body building
	basketball		squash
	skiing		dancing
	nordic walking		able tennis
	football		triathlon
	cycling		sailing
	volleyball		badminton NEW

BEST PRACTICE

In 2018, the 1st PZU Racketon Team Championship was organized. Seven teams fought in the competition held in Warsaw’s Powiśle, with each choosing its representatives for all four racket sports: table tennis, badminton, squash and tennis. The top podium was ultimately claimed by the #myPZU team. In October 2018 the PZU Championship in Table Tennis was held, and one month later the 6th PZU Squash Championship.

Athletic activity highlights:



321
members in the Running Section

192
people in the Runners League
(56 women and 136 men)

30
people at the runners’ camp

203
running events

18,761
kilometers run

1,115
person-starts

357
members in the skiing section

4
training camps in Poland and
abroad -

nearly
160 participants

3,056
person-hours of training with
instructors

20
new members in 2018

4 silver and **2** bronze medals
during the Winter Capital
Market Game



328
members in the sailing section

227
people participated in its events

21 członków uzyskało patent
żeglarski



1,604 nautical miles
covered during the season

192 hours
the longest trip

36 hours
the longest watch at sea

BEST PRACTICE



Bank Pekao is one of the name sponsors of the Pekao Szczecin Open tournament, the largest and the most important men’s tennis tournament in Poland. The Bank has been present at the tournament without interruption since 1993, that is since the beginning. Additionally, in 2015 an educational and training programme named “Road to Pekao Szczecin Open” was launched under the Bank’s patronage. The goal of the program is to promote sports among children and their parents and also find new tennis talents who will have a chance to become the winners of Szczecin tournament in the future.



BEST PRACTICE

Social involvement of foreign companies

UKRAINE:

- support for a football tournament for people with disabilities,
- support for the organization of a half-marathon in Ternopil,
- co-organization of a children’s bicycle race in Kamieniec Podolski,
- co-organization of the Healthy Lifestyle Festival in Dnieper.

LATVIA:

- promotion of honorary blood donation among employees,
- support for a running festival in Riga.



4.3 Cultural patronage

The PZU Group’s concern for cultural goods builds social identity, respect for tradition, a sense of belonging to the community and its history. For years, the company has supported leading cultural institutions and events, collaborating with them to promote culture and national heritage. This included mainly patronage over the most prominent cultural institutions in Poland.

- PZU is the patron of the 19th Century Art Gallery at – Director of the National Museum in Warsaw. It is the Museum’s largest and most frequented gallery presenting the most valuable Polish paintings and sculptures.
- PZU is also the patron of the Royal Łazienki Museum. The Company actively participates in the development of programs it is a patron of. Thanks to PZU, the Museum continues to raise the level of technical security of its collection and the visiting guests. The money received from the PZU prevention fund has allowed it to purchase SEGWAY X2 S and Melex vehicles, as a result of which the guards can quickly reach any point in the garden (the total surface area of the Royal Łazienki gardens is 76 ha). Additionally, a professional Monitoring Center was created,

i.e. a monitoring facility where images from more than one hundred cameras can be watched on seven monitors.

- PZU is also a patron of the Warsaw Uprising anniversary ceremony and since 2015 it has also been the Patron of the Warsaw Uprising Museum.
- As a patron of the National Theater in Warsaw, PZU takes steps to improve general security of the building as well as its fire safety.
- Since 2015, PZU has been the Patron of the Grand Theatre – National Opera. It has taken care of this institution also as part of its prevention activities. Thanks to PZU, the building has been equipped with the cutting-edge anti-theft system. PZU has also assumed the patronage of the TW-ON Opera Academy. It is a program supporting the career development of young talented opera artists.
- PZU supports the National Museum in Krakow and all of its facilities not only in the financial dimension but also makes efforts to be an active patron and initiate a number of ideas that make the Museum more attractive for children and youth.

BEST PRACTICE



Commemoration of the 100th anniversary of regaining independence



Bank Pekao strives to improve the quality of life of the society and to build and strengthen long-term relations with the society based on mutual understanding of needs. That is also why in 2018 the bank got involved in supporting prestigious initiatives to commemorate the centennial of regaining independence.

Promotion of the national brand and Polish values is an element of Bank Pekao’s mission. In 2018, the bank supported financially, among others, expert debates, the exhibition named “Brilliance of Orders on the 100th anniversary of regaining independence”, the “Man of Freedom” Gala, the Polonia Forum in Toruń, the conference named “Charting Poland’s Future: spotlight on Growth & Innovation” in London, the conference entitled “Economic sovereignty”, the 6th edition of “There is No Future without Entrepreneurship” under the slogan “100 years of ambition - Polish business on its way towards the future”.

Moreover, in order to promote the national brand, Bank Pekao supported Andrzej Bargiel’s K2 climbing expedition. The expedition was held in the year of the one hundredth anniversary of Poland regaining independence.

BEST PRACTICE



100th Anniversary of Poland’s Independence in Poland and Lithuania

In 2018, PZU became involved in the events accompanying the year-long celebration of the 100th anniversary of Poland regaining independence.

PZU supported projects such as: musical events (“Our Independent One” project, concert for the Independent One at the National Stadium), temporary exhibitions (“Paderewski” at the National Museum in Warsaw, “The Brilliance of Orders” in the Royal Łazienki), or educational projects.

In Lithuania, the year 2018 was also the time of celebrations of the 100th anniversary of regaining independence. Lietuvos Draudimas undertook to insure the Lithuanian Deed of Independence, which was found in the German state archive after almost a hundred years. The Germans lent the document to Lithuania for the celebration of the Lithuanian national holiday.



4.4 Improvement of living conditions in local communities

"We are interested in the CSR initiatives in which the company's employees are involved"

Comment made during a dialogue session

Helping is Power

PZU as a socially responsible company is aware that the best way to respond to the needs of local communities is to give the initiative back to them. By addressing the Helping is Power prevention campaign directly to them, it encourages communities to define the needs existing in their surroundings. It also provides a tool to take action for the common good.

The main idea of the campaign is to provide financial and operational support to local groups that, under the main goal of the project, "Healthy and safe family", receive funds in the amount of up to PLN 100 thousand to implement their proposed initiative. The project was launched in March 2018. To implement the project, a website was created at pomocmoc.pl, which is used to collect proposals and to provide information about the project. The proposals are evaluated by the coordinator at PZU and by an external expert and subsequently they are published online and subject to a vote.

In 2018, PZU co-funded the execution of 97 local initiatives.

Since the project raised great interest and the number of proposals skyrocketed (in September 2018), PZU decided to continue the program in 2019.

Volunteerism

The employee volunteerism program has been in operation in PZU since 2012 and it is enjoying ever greater interest among employees. The PZU Foundation coordinates the nationwide and regional volunteerism programs while the domestic Employee Volunteerism Coordinator collaborates on an ongoing basis with PZU's Regional Volunteerism Leaders.

The PZU Group's Employee Volunteerism Rules and Regulations are in force in PZU and PZU Życie.

Every year the PZU Foundation organizes two editions of the contest entitled "Volunteerism means the joy of action" in which grants are awarded to employees in amounts up to PLN 5 thousand to put their ideas into action. Every employee who would like to get involved in helping others and exert an impact on his or her surroundings can submit an application. The detailed contest rules are laid down in the Rules and Regulations that are in force in PZU and PZU Życie.

BEST PRACTICE

The PZU Academy of Volunteerism Leaders, a group of 40 employees running information and promotional activities linked to employee volunteerism at a regional level supports the development of volunteerism in PZU. Twice a year the Foundation organizes special training courses for them to raise their competences, among others, their communication and motivational skills.

KEY FIGURES

- Number of PZU's Regional Volunteerism Leaders: 40
- Number of PZU volunteers: 630
- Number of volunteers from outside the company invited to lend PZU employees a helping hand: 753
- Number of hours spent doing volunteer work by PZU employees: 11,674
- Number of hours spent doing volunteer work by people unrelated to the company: 11,105
- Number of PZU employees' proprietary volunteerism projects: 77
- Number of beneficiaries PZU employees have aided: 11,992
- Number of animals PZU volunteers helped: 953

WYWIADY

Karolina Hryniewicz, Elbląg



How did your adventure with employee volunteerism get started?

My adventure with volunteering started in April 2017 with an announcement, which was published on the pzu24 website. I read the rules and regulations of the competition entitled "Volunteering is a joy of action" and I was at awe that I could share happiness with the needy in such a simple way. I started to act right away. I talked to potential volunteers, put forward an idea and when it was approved I wrote an application. The result was positive. Helping others is a wonderful feeling, especially when you are successful in encouraging your colleagues to volunteer. Many of them are already writing their own applications, and for me it is a great pleasure to assist them or just give them a few tips. The most important thing for me, however, is that many people are getting involved in selfless help. I agree with what John Paul II said: "A man is great not by what he owns, but by who he is, not by what he has, but by what he shares with others."

What type of campaigns did you complete last year? Whom did you help?

In 2018 I organized five volunteerism projects. Each of them was special for me, because through the PZU Foundation we helped many sick children, disabled sportsmen, and we also integrated the local community in Elbląg. We supported, among others, Kindergarten No. 23, Primary School No. 1, Special Educational Center, boarding house at the special school and the "Attack" Integrated Sports Club in Elbląg. However, I was most satisfied with the "Integrative Spartakiada" project. It was carried out in Olecko at a sports camp for physically and mentally disabled children. Thanks to the PZU Foundation we introduced many innovative disciplines and attractions. We bought equipment that was needed for further rehabilitation through sport. We bought school kits, clothes and small gifts for those who needed them most. It was a really special time. I have never seen children so happy before.

What did you learn as you prepared for and carried out the projects?

Each project gives me great satisfaction. The smiles and joy shown by our beneficiaries are the source of happiness

to me. Sometimes a small gesture, a word can do a lot of good. I enjoy infecting others with that, that my colleagues are eager to take part in all the initiatives. Being in the community of people who need your help, the disabled, gives me strength and motivates me to act and carry on with further projects. Helping others has taught me to derive joy from small things, learn life wisdom from people tested by fate and look at the world through pink glasses.

Why is it worthwhile to take part in volunteerism projects?

Because once you try, you will never want to give it up. That is why I encourage everyone to become involved in volunteerism. Happiness is the only thing that multiplies if you share it!

Aneta Malec, Mielec



How did your adventure with employee volunteerism get started?

A colleague mentioned the PZU Foundation because she read an article on www.PZU24.pl. Then I started seeking information on the options to write a project.

What type of campaigns did you complete last year? Whom did you help?

The project "To love is to help" was written mainly for children from single-parent families who had no option to go on holidays. The project entitled "Where a senior citizen cannot go, a grandchild can help" aims to reduce the barriers between generations. Under this project children "adopted grandmothers and grandfathers", or lonely people from social assistance centers. Even though the project formally has ended, they continue to organize occasional meetings together with the PZU volunteers. A short journalist report in collaboration with young authors on this campaign has been produced under a project executed in tandem with Papaya.Rocks – a new lifestyle internet service. The report is available under the following link: <https://papaya.rocks/pl/people/wwolujemy-lawine-dobra>

What did you learn as you prepared for and carried out the projects?

This cannot be classified or specified in any way... – it's simply a matter of opening your heart up to another human being and his or her needs and your desire to help.

Why is it worthwhile to take part in volunteerism projects?

They strengthen bonds between employees and help make new acquaintances and friends. When we carry out these projects, there is a lot of joy in it, smiles, good fun and primarily, the single goal driving all the volunteers: their willingness to give help to those who need it. I am really glad that as a PZU employee I am able to conceive projects that are then backed with hard cash and, as a result, we can do beautiful things that ultimately show that this corporation is full of great people with big hearts.

BEST PRACTICE



For many years, the PZU Foundation has held nationwide contests under which it helps non-governmental organizations implement projects for the benefit of local communities in small towns and villages.

- The After School with the PZU Foundation contest helps support organizations that develop interesting and creative additional activities for children and youth.
- The Young Able Disabled with the PZU Foundation contest increases self-sufficiency and activity of disabled persons.
- The PZU Foundation with Culture contest enlarges access to high culture.

The detailed contest rules are set forth in dedicated rules and regulations available on the website: www.fundacjapzu.pl.

Grants were awarded in 2018 to carry out 66 projects that benefited more than 8,200 people.

Grants were awarded in 2018 to carry out 66 projects that benefited more than 8,200 people.

Examples of employees’ volunteerism activities in 2018:

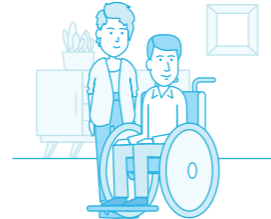
- Scouts from Poręba came to Warsaw to learn, together with a guide and volunteers from PZU, the places connected with the fate of the heroes of the Kamienie na szaniec (Stones for the Rampart) book and movie.

- More than 100 kg of food, financing the treatment of more than ten cats and veterinary aid resulted from the involvement of PZU volunteers from Poznań in the work of the Koci Pazur Foundation.



- Package for an animal is a project implemented by Alior Bank in Warsaw, Krakow and Gdańsk. Volunteers made 110 beds and five scratchers for homeless animals during tailoring workshops. 41 people took part in three workshops that lasted 7 hours. Additionally, as part of a collection organized for homeless pets, 600 kg of food and snacks were collected, 200 blankets and towels and numerous toys, leashes and collars.

- For people with multiple disabilities, PZU volunteers from our Podkarpackie branches transformed an empty warehouse into a world experience hall. It is the only place in the township that astounds, affects the senses and is a source of joy for the people who visit it.

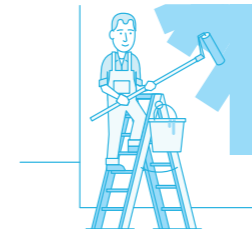


- Students from Podleszany crated a professional theater with a mobile stage. Thanks to the help of PZU volunteers, the young actors can act wherever there is audience.



- PZU employees from Warsaw organized the “Christmas for Compatriots” project, in which they arranged for three-day holidays for 30 people cared for by the Compatriot Foundation: children, youth and adults studying in Poland and living in a repatriation center. The meeting was combined with workshop activities, Christmas tree dressing and a festive dinner.

- Through the help of PZU volunteers, students from the Błędowna Zgłobieńska Primary School can study in a renovated biology, geography and natural sciences room – we financed the purchase of furniture and teaching aids.



- In Stalowa Wola-Rozwadów, PZU volunteers renovated an activity room for children and financed the purchase of new furniture. The renovation made it possible to organize day camps for children and attractive activities for the youngest who stayed in the town for the summer holidays. Some of the activities organized by the volunteers included: interactive activities, quizzes, games, English and sign language workshops, and a Daughter-Father and Son-Mother ball that was held at the end of the project.

- Alior Bank’s “Share a Book” initiative entailed collecting books among bank employees. Head office employees in Warsaw, Kraków and Gdańsk as well as employees of the sales network across Poland became involved in the campaign. This resulted in about 1.4 thousand books being collected and then distributed to hospital libraries through the intermediation of the zaczytani.org Foundation.



- As part of the “Zaczytana Akademia” initiative carried out together with the zaczytani.org Foundation, 25 volunteers from Warsaw, Gdańsk and Kraków acted as “fairytale educators”. Three eight-hour training workshops on this subject were held. The volunteers donate their time to hold classes in hospitals.

- Alior Bank also originated the “Banking is OK” campaign, in which classes were organized for students at the Primary School in Korabiewice. The classes took about 2 hours and were attended by about 10 children and 3 volunteers.

- Employees of the PZU branch in Elbląg have proven that chess can be exciting and fun. “White on Black” project. The family chess festival was successful and full of emotions.



5 Our impact on the natural environment

Responsibility - "we attempt to curtail the adverse ecological repercussions of our business by implementing "green" initiatives, engaging employees in activities to protect the environment and utilizing IT tools to optimize the consumption of materials."

"I would be eager to learn about the PZU Group's environmental impact."

Comment made during a dialogue session

"What are the key factors of success to curtail the adverse impact on the natural environment in the PZU Group? "

Comment made during a dialogue session

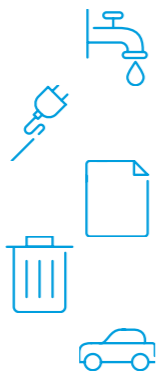
"The direct environmental impact of the PZU Group is driven mainly by the use of properties by the Group, including, among others, maintenance of more than 600 outlets, use of nearly 340 thousand square meters of space in buildings and consumption of resources in offices by more than 12.5 thousand employees in PZU SA and PZU Życie alone. At present, the PZU Group is implementing its own environmental standard defining the key assumptions pertaining to its governance approach to environmental issues. Subsequently, we aim to finetune our strategic approach to indirect environmental impact and improve the system for monitoring our consumption of utilities."

Małgorzata Sadurska, Management Board Member of PZU and PZU Życie

Country	Company	Objectives to reduce the consumption of toners and paper by 2020
Poland	PZU i PZU Życie	50% ¹
Lithuania	AB Lietuvos Draudimas	10%
Lithuania	UAB PZU Lietuva Gyvybes Draudimas	7%
Latvia	AAS Balta	10%
Estonia	AB Lietuvos Draudimas Eesti Filiaal	3%
Ukraine	PrAT SK PZU Ukraine/PrAT SK PZU Ukraine Life	57%

Our direct environmental footprint:

- water consumption
- water consumption
- paper consumption
- waste generation
- air pollution emissions



The plan is to reduce the consumption of heat in PZU and PZU Życie by 2% by 2020.

¹ This objective pertains to sales, service and archiving processes. The goal is 4% for all the processes.

PZU Group's Policy [UoR]

[GRI 103-2]

"It is worth showing that the positive impact on the environment is not just one of the many areas of the company's activity, but its responsibility embedded in its management strategy."

Comment made during a dialogue session

The PZU Group's responsible approach to business means translating it into a more ecological approach, i.e. one that reduces the adverse impact on nature to the maximum degree. Environmental protection has been elevated to a strategic ranking. The pertinent clauses have been inserted into the PZU Group's corporate social responsibility strategy for 2018-2020 and the updated PZU Group's strategy for 2017-2020 entitled "The New PZU – More Than Insurance".

Implementing suitable procedures and governance systems will allow the PZU Group to meet all the ecological legal and formal requirements. In its activities, however, the company goes beyond the mandatory regulations. The specially appointed Management Board Environmental Protection Plenipotentiary looks after consistency in environmental protection management in the PZU Group.

"Ecology in the PZU Group is not an ephemeral caprice, or a matter of submitting to a fad. It is our duty to take advantage of the natural environment with a sense of awareness. Caring for nature has been recorded once and for all as a civilization value that must go hand in hand with the overall Group's day-to-day work. We treat the natural environment as one of our stakeholders and we will adhere to our duties toward it with full accountability. So, may this 'fad' proliferate to a broad extent and become a part of every citizen of the earth in reference to his or her planet."

Agnieszka Koryś-Matusiak, Management Board Environmental Protection Plenipotentiary in the PZU Group

The "PZU Group Standard - Green PZU" was enacted in November 2018 as a followup to the Group's strategic decisions. Even though there were no formal environmental protection policies in place in the other Group companies at the end of 2018, they did in the course of their activities pay attention to minimizing their adverse impact on nature.

Nearly all of the companies in the health area (except for REVIMED and PROELMED) have implemented and been certified under the ISO 9001:2015 Quality Management System.

In addition, Polmedic and Artimed have implemented and been certified under the ISO Management System: PN-ISO/IEC 27001: 2014; and Polmedic has ISO Management System 14001: 2015 and OSH Management System OHSAS 18001:2007.

PZU and PZU Życie introduced internal regulations related to real estate management.

[GRI 307-1] PZU and PZU Życie were fully compliant in 2018² with the prevailing environmental protection regulations. The same is true in the health area (especially when it comes to managing hazardous medical waste) as in the Pekao Group, Alior Bank Group, international companies and most of the Polish companies.

BEST PRACTICE

Minimizing the adverse environmental impact is one of the areas of the Pekao Group's binding code of conduct and Alior Bank's code of ethics. In these documents the entities declare they will protect natural resources and prevent pollution. Employees will find information in these documents to encourage them to care for the natural environment.

² No penalties were imposed for the failure to comply with environmental protection regulations

5.1 Practical challenges in managing direct impact



"Please state your resource utilization ratios, their growth rates and the effects the company has achieved in the context of curtailing its adverse environmental impact. Please share your comments on the reasons for the consumption factors growing or falling."

Comment made during a dialogue session



The persons responsible for real estate administration and management in PZU and PZU Życie do their utmost to demarcate the directions for PZU's activities to exert the smallest possible adverse impact on nature. In their day-to-day work the employees of the Real Estate Department and of the Administration Department undertake comprehensive activities to curtail the quantum of pollution and reduce the consumption of natural resources in PZU and PZU Życie. Achieving the stated objectives is only possible thanks to the support of employees in their daily eco-choices in the place of work.

PZU ecological plan for 2018-2020:



- curtailing the consumption of utilities,
- conducting rational waste management,
- installing air conditioning with an ecological cooling agent,
- preferring environmental and social aspects when choosing space for rent.
- running educational campaigns among employees in terms of pro-environmental behaviors.

These activities produced initial outcomes already in 2018: the downward trend in the consumption of utilities is discernible. However, most of the environmentally-friendly activities were introduced in the latter half of 2018. That is why the PZU Group anticipates that it will be able to report measurable numeric ratios in 2019.

[GRI 302-4] In 2018 PZU saved **15,638 GJ** of thermal energy and **2,099 MWh** of electricity³. In turn, PZU Życie saved **1,107 GJ** of heat.

[GRI 302-1] The organization's energy consumption giving consideration to the type of raw materials

PZU Group's total energy consumption⁴:

	2018		
Thermal energy [GJ]	243,772		
Electrical energy [MWh]	146,345		
Total energy consumption produced or purchased with a split into the following: electrical and thermal	Figures (MWh) ⁵ 2018		
	PZU	PZU Życie	
	Electricity	13,694	5,750
	Thermal energy (including the consumption of steam and cooling energy)	56,127	29,500
	Energy consumption	69,821	35,250

³ The base for calculating the quantum of saved energy was 2018.
⁴ The data for the Alior Group are presented solely for Alior Bank on account of the limited accessibility of these data in the other Group companies and at the same time they are of minor significance. The Pekao Group's data pertain solely to Centralny Dom Maklerski Pekao S.A., Pekao Bank Hipoteczny S.A. and Pekao Investment Banking S.A. The other companies do not have data in this respect.
⁵ It has been assumed that 1 GJ = 0.2778 MWh

PZU Group's total energy consumption⁶ with a split into the type of commodity:

	2018
Heating oil [tons]	1,015
Petrol [tons]	3,740
Diesel [tons]	1,638

Total energy consumption using unrenovable commodities (own or purchased) with a split into the type of commodity	Wartości (MWh) 2018	
	PZU	PZU Życie
Natural gas ⁷	6,959	3,089
Heating oil	1,611 (5,800 GJ)	241 (869 GJ)
Total consumption	8,570	3,330

	PZU	PZU Życie
Total energy consumption (MWh)	78,391	38,580

[GRI 301-1] Total consumption of paper in the PZU Group⁸:

	2018
Paper [tons]	2,786

Key activities of the PZU Group companies reducing the impact on the natural environment:



⁶ The data for the Alior Group are presented solely for Alior Bank on account of the limited accessibility of these data in the other Group companies and at the same time they are of minor significance.
⁷ A ratio of 11 was used to calculate MW of natural gas from m3. The heating oil correction factor - 36,636 GJ/m3.
⁸ The data for the Alior Group are presented solely for Alior Bank on account of the limited accessibility of these data in the other Group companies and at the same time they are of minor significance.

BEST PRACTICE



Electrical energy saving (PZU and PZU Życie)



- The installation of special equipment, power compensating devices, makes it possible in some properties to reduce the consumption of "reactive" power by roughly 90%. In 2018 these power compensating devices were installed in 10 buildings. Another 15 modernization projects are in the works by the end of 2020.
- Verification of temperature settings and programming air conditioning units installed in server rooms.
- Installation of LED lighting. In 2018 lighting was replaced in the office building in Rzeszów (more than 1.6 thousand square meters) and in 10 smaller properties. LED lighting will be installed in another 20 offices by the end of 2020. In addition, we will start to use LED lighting in all the external signage in PZU branches in 2018.
- Pilot installation of photovoltaic cells on the roofs of office buildings belonging to PZU and PZU Życie. Panels were installed on four properties up to the end of 2018.

BEST PRACTICE



Heat savings (PZU and PZU Życie)



- Thermal modernization of buildings: insulating walls and roofs, replacement of window joinery and central heating installation. Thermal modernization work was conducted in 12 properties in 2018. Work is scheduled to be performed in another 28 facilities by the end of 2020.
- The replacement of depleted heating boilers with modern and highly efficient devices with an option to adjust their operation to atmospheric conditions (weather controllers). Modern boilers produce heat while at the same time they save thermal and electrical energy and reduce the emissions of gases into the atmosphere. Heating boilers were replaced in 26 locations in 2018. The replacement of 55 boilers is slated to take place by the end of 2020.





BEST PRACTICE



Properties “Turning Green”

Tower Inwestycje will build its new office building called Brama Orłowska in accordance with the BREEAM Excellent certificate standards. Ecological solutions will be present at all stages of the investment: from design to execution to finishing work. The Brama Orłowska building will be outfitted solely with LED lights, while its water and sewage systems will be built in a manner that minimizes the risk of biological contamination. Water distributors will be used to provide drinking water. In addition, separate electricity and heat meters will be installed in the building for each tenant, while the quantum of segregate waste will be subject to monitoring. The internal roads and parking lots will have separators to capture petroleum-based substances.

 PZU Zdrowie will also ensure that its facilities are environmentally-friendly as it plans to ramp up the number of clinics. LED lighting and carpets free of “phthalates” that affect air quality in offices will be used in medical centers.

 Link4 leases its Head Office in a building certified as LEED Gold. This site has been outfitted with antysmog filters.

The ecological activities of Ogródowa Inwestycje include, among others, the replacement of another ice water aggregate with a device containing a dry cooler (the cooling aggregate uses low external temperatures to produce cool air). Along with the replacement of lighting with LED lamps in the garage, shared areas (corridors and elevator areas) and the installation of motion sensors to reduce power consumption, this will help save approx. 30 MWh of electricity per year.

In order to achieve a significant reduction in the consumption of water, faucet aerators are being installed in restrooms and employee amenity areas. Faucet aerators (tips attached to the end of a faucet) visually increase the stream of water by mixing it with air, which process results in a reduced consumption of water. In 2018, faucets in the Head Office buildings and in office buildings with more than 10 users were fitted with faucet aerators. In total, over 1,000 such devices were installed. By 2020, the Group intends to install faucet aerators in 90% of properties used by PZU and PZU Życie.


BEST PRACTICE




Environmentally friendly behaviors of

 **employees**
On 22 March 2018, on the occasion of the World Water Day, an educational campaign for employees was run at PZU all over Poland to promote environmentally friendly habits. As part of follow-up activities, Green PZU stickers were placed in the restrooms and kitchens, promoting the saving of water, energy and paper. In turn, on 22 April 2018, during the Earth Day, the topic of the Company’s newsletter was pollution caused by plastic. Then, on 5 June 2018, on the occasion of the Environmental Protection Day, messages were displayed encouraging employees to reduce their use of plastic disposable products.

Link4 runs a regular campaign to collect light bulbs, bottle caps and e-waste.

 The Pekao Group and the Alior Group conduct educational campaigns promoting energy conservation, water saving, selective waste collection and responsible waste recycling.


The companies reduce the consumption of office supplies, in particular of paper and printer toner. Environmentally friendly prints and forms are deployed and the number of printers keeps declining due to the policy of using shared multifunction devices. The banks also use the services of specialized recycling firms.

 The car fleet also underwent environmentally friendly changes. PZU and PZU Życie currently use smaller cars that are economical and utilize alternative sources of propulsion. 134 hybrid-drive cars were purchased and four electric cars were rented.

BEST PRACTICE



Foreign companies

 The PZU Group is concerned about the natural environment not only in Poland. An environmentally friendly approach to doing business has been adopted by all foreign members of the Group.

In Lithuania, Lietuvos Draudimas has in place a formalized environmental policy. Information on environmental protection matters is published in its annual reports and CSR reports. All buildings of the Lithuanian company are also monitored for the consumption of utilities. The plan adopted by the company calls for savings in: water consumption (by 5%), heat energy (by 10%) and electric energy (by 2%). The company intends to sell its old buildings characterized by low energy efficiency parameters, carry out thermal upgrading of its Head Office building in Vilnius, change its lighting system to LED-fitted, introduce waste sorting rules and run some environmental education campaigns.

The Lithuanian company PZU Lietuva Gyvybes Draudimas reduces waste generation, runs environmental education campaigns and organizes waste sorting in some of its locations. Monitoring of the consumption of utilities has been introduced in all facilities.

The Latvian company Balta has installed economical lighting and sunblinds. It intends to reduce its consumption of utilities, water and electricity by approx. 5%. The company is also involved in the recycling of old electronics and in paper sorting. The management board is working on the adoption of an environmental policy.

The Estonian branch of Lietuvos Draudimas intends to reduce water and electricity consumption by 1%. Moreover, the lighting system in the Head Office building in Tallinn will be changed to LED lighting.

5.2 Products and adaptation to climate change



"What action do you take to reduce your adverse impact on the environment, including by reducing CO2 emissions and the consumption of fossil fuels as forms of indirect impact?"

Comment made during a dialogue session

The PZU Group is aware of the fact that the provision of insurance, banking and investment services is an area in which decisions of individual companies may influence client behaviors and is aware of the bearing they may have on the natural environment. In respect of large clients, such as industrial plants, engineering underwriting is performed to enable the insurer to calculate the premiums. A detailed outcome of the underwriting exercise along with full risk assessment and scenarios are presented to the client. The underwriting covers business risks, which are often combined with environmental risks. For this reason, the actions taken by the client to eliminate or reduce certain elements of its risks, even if induced solely by an attempt to suppress insurance costs, contribute to diminishing the risks to the environment or humans.

The PZU Group participates in social dialogue and debates on sustainable development. As part of the Climate Summit (COP24) organized under the auspices of the United Nations, the PZU Group was one of the organizers of the City Day. The panel discussion moderated by PZU was entitled "Diagnosing the current state of the natural environment and forecasting changes in its quality". The topics of other meetings included decarbonization of urban and road transport, adaptation to climate change in urban centers and challenges associated with climate change.

Climate change risk management in the PZU Group

The PZU Group keeps monitoring the activities and initiatives undertaken by financial institutions and international organizations. Among them are the United Nations (UN), the Organization for Economic Cooperation and Development (OECD) and the European Commission.

A key initiative for European insurers is the Climate Agreement entered into by 195 countries in Paris in 2015. Its provisions include the disclosure and management of risks related to climate change in the financial sector, including

recommendations issued by the Task Force on Climate-Related Financial Disclosures (TCFD). In turn, from the perspective of limiting natural disasters, the point of reference is the "Action Plan on the Sendai Framework for Disaster Risk Reduction 2015-2030, a disaster risk-informed approach for all EU policies".

Regulations requiring that climate change risk be taken into account in the business of financial institutions, including insurance companies, have also been developed by the European Commission. For several years now, organizations doing business in the financial sector have been gradually withdrawing from providing funding or insuring coal and energy companies and projects. It is expected that the financial sector will provide increasing support to real sectors of the economy, especially power generation, transport and industry, in reducing climate change caused by greenhouse gas emissions.

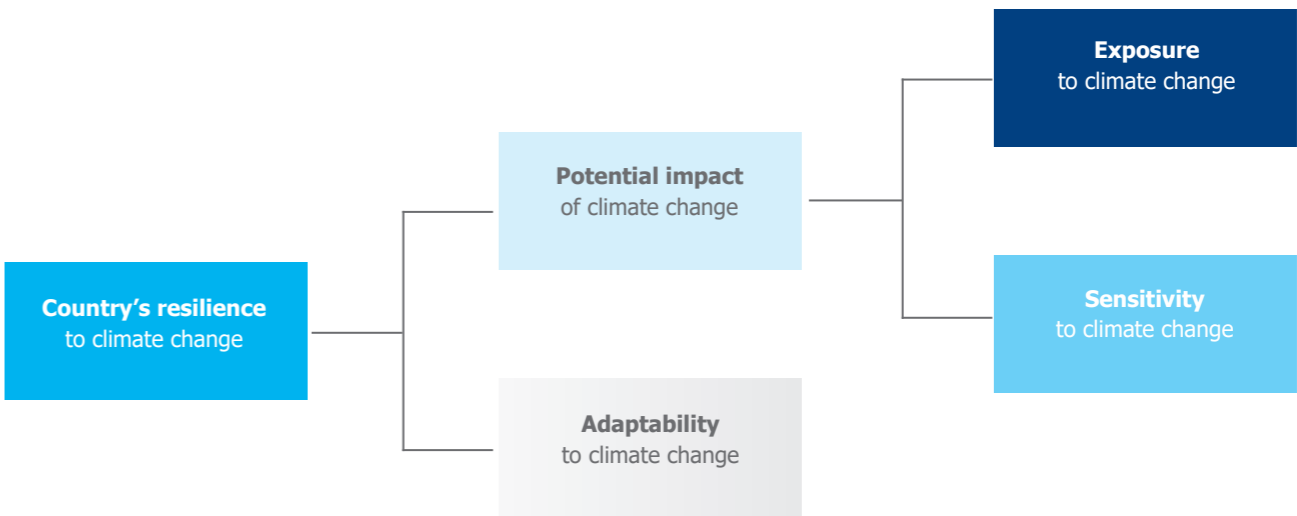
In Poland, the potential impact of climate change in the coming decades will result from a combination of the following two factors:

- **Exposure** to climate risks of a physical nature. According to scientific research, floods and cyclones are the most serious risk factors in Poland. In recent years, the risk of heat waves has also emerged. Climate change affects the frequency and scale of potential catastrophic events that may exert a significant impact on the capital position in the insurance sector.
- **Sensitivity** of the country to changes and events related to the climate and resulting from such factors as population density in high flood risk areas, transport infrastructure quality, water management and funds earmarked in the state budget for unexpected expenditures.

These two factors, combined with the **country's adaptability**, including those of the public sector (central and local governments), companies and citizens, the health condition and the place of residence, will define the resilience of both the country and the PZU Group's clients to climate change.

The PZU Group takes a number of initiatives to boost the resilience of both country and its clients to climate change. This is done by:

- improving the recognition of exposures to climate risks of a physical nature,
- supporting the enhancement of adaptability and social awareness.



Source: Prepared based on World Bank (2010), Adapting to climate change in Eastern Europe and Central Asia, Washington D.C.

BEST PRACTICE

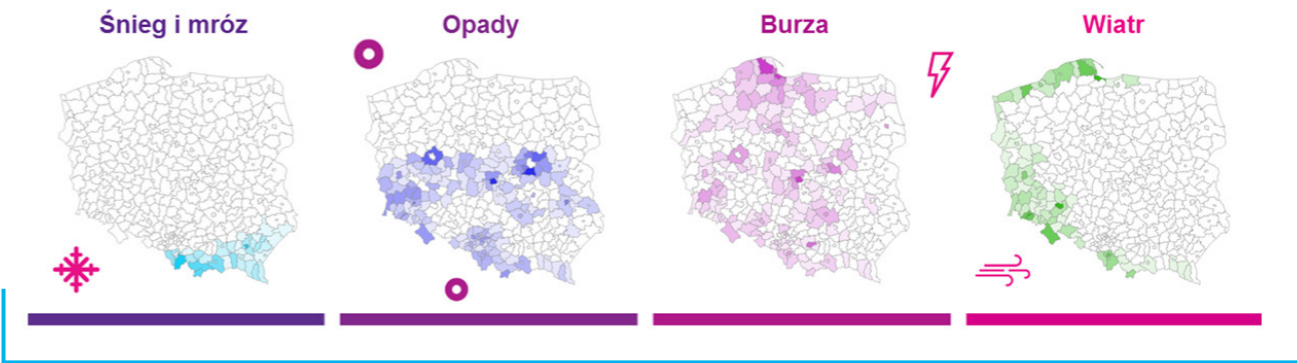
"It is worth paying attention to the company's involvement in aid actions such as the provision of aid to people affected by natural disasters."

Comment made during a dialogue session




The PZU Group regularly updates its databases containing details of weather events that occurred in the last 20 years (augmented with information on floods and cyclones). Furthermore, the PZU Group analyzes damage events broken down by geographies (interactive high resolution floodplain maps for Poland are being developed allowing for various flood scenarios). Early warning systems against floods and other events are also being improved (mass social campaigns and information campaigns are carried out to raise awareness among the Polish population).


Areas to which alerts were most frequently directed in 2018 broken down by weather phenomena



BEST PRACTICE



Remote sensing



As many as 28,000 cases of damage in winter agricultural crops are reported annually to PZU. Total claims paid on this account may reach nearly PLN 250 million. In order to carry out a proper valuation of such damage, PZU uses an innovative remote sensing method – maps of agricultural crops are superimposed on aerial photographs taken by planes and drones. This activity accelerates the claims handling process. Its additional advantage is that the findings are unbiased.

PZU manages its indirect impact on the natural environment through the insurance products it offers:

Counteracting climate risks	Examples of actions taken by the PZU Group
Reducing greenhouse gas emissions	<ul style="list-style-type: none">Introducing new insurance products for renewable energy source (RES) installations. The PZU Group is the insurer of Poland’s largest wind farms (Energa, Enea, PGE) and hydroelectric power plants (Energa, PGE). The insurance covers fire, floods and other calamities as well as loss of profit during operational downtime or loss of machinery. Extension of RES capacity is also included in the insurance cover.Insurance programs for municipalities that provide financial support to entities investing in RES installations. The selection of residential insurance products on offer is updated with new solutions covering alternative energy sources, such as photovoltaic modules, solar collectors and heat pumps. Not long ago, the PZU Group introduced new insurance products for Tauron’s clients who own photovoltaic microinstallations. These products protect them against the destruction of their installations by such insurable events as hail, fire, snow or other random events, and guarantee the disbursement of compensation for consequential financial losses.Insuring upgrades in conventional power plants (resulting in a reduction of exhaust emissions by desulfurization or denitrification installations or filter systems) and thermal waste neutralization installations. The PZU Group also insures investments aimed at improving energy efficiency in various sectors of the economy.Supporting initiatives aimed at the development of electrification in the transport sector, for instance by insuring a large number of Intercity trains and all rolling stock of Koleje Mazowieckie. The PZU Group is also establishing cooperation with Electromobility Polska and other companies that either already install or intend to install quick chargers for electric cars.
Adaptation: better understanding of risk factors	<ul style="list-style-type: none">Catastrophic risk management with a particular focus on the risk of floods associated with terrain characteristics and the number of surface watercourses. Within the framework of this system, the PZU Group runs periodic analyses of its exposure to natural disasters.The insurance portfolio is broken down into zones according to specific degrees of exposure to the risk of floods (river floodplains and areas behind flood embankments) and cyclones. Each such zone covered by the analysis is assigned a value of potential losses corresponding to the assumed probability levels. Also generated are scenarios in which the scale of natural disasters observed in the recent history of Poland is greatly exceeded.Annual introduction of changes in the frequency and scale of catastrophic events and their occurrence in the design of the reinsurance protection program.

Counteracting climate risks	Examples of actions taken by the PZU Group
Adaptation: customizing the product offer to the risk factors	<ul style="list-style-type: none">Some weather scenarios form is the basis for the construction of the reinsurance program and for the calculation of capital requirements. The capital requirements provide a guarantee that even in the event of catastrophic floods or cyclones, the PZU Group will have the capacity to pay its liabilities to clients.A customized insurance offering for sectors of the economy exposed to the highest climate risks, such as agriculture.Offering residential insurance in every location without any exclusion zones. As the market leader, the PZU Group offers insurance products with a comprehensive cover of private property without the need to pay any additional premium and without applying any limitations of liability for such risks, for instance in the grace period or deductible.Tailored approach to underwriting and offering insurance for industrial buildings and infrastructure.PZU offers reinsurance of natural risks for annual periods with a non-proportional structure. Whenever a reinsurance program is re-newed, the contract structure, information about the insurance portfolio and the loss history are updated. Every year, PZU models and quantifies the risks of floods and cyclones in Poland offered by reinsurance brokers.As part of its insurance products that cover business property against fire and other calamities, in the event of risk materialization the PZU Group pays compensation after the damage has occurred coupled with additional conditional financial support for activities related to damage prevention, damage reduction or participation in a rescue effort or property repair. Moreover, as part of its cover against lost profits, PZU protects businesses whose revenues decline, for instance as a result of damage to their assets caused by fire, flood, cyclone or other random events. Such insurance helps such businesses maintain their financial liquidity if unexpected events occur. In turn, commercial undertakings covered by general third party liability insurance may extend their cover with two clauses providing protection against damage to the environment. The first such clause extends the third party liability insurance cover to include losses arising in connection with the release of hazardous substances into the air, water or soil. The second clause extends the insurance cover to include liability for damage to the environment. Such clauses are offered predominantly to industrial operators (in the chemical, petrochemical and manufacturing industries), construction companies, utilities (power plants and cogeneration plants), wastewater treatment plants and waste management companies.
Adaptation: innovations to protect the future	<ul style="list-style-type: none">Advisory services for farmers on new climate-resistant varieties of crops. For two years, the PZU Group has been running an information campaign targeted at farmers to promote winter rapeseed varieties recommended for cultivation in the Polish climate, using lists that are updated and published annually by the Central Research Center for Cultivar Testing (COBORU).Use of risk verification tools, including remote sensing. This tool makes it possible to obtain information concerning facilities or areas from a distance, most frequently by using sensors installed on aircraft or satellites facilitating the measurement of reflected and emitted radiation. In agriculture, the vegetation coefficient is also used as a very popular and proven method.PZU Lab carries out audits and issues recommendations for various companies aimed at improving their safety in terms of assets, downtimes, human safety and the environment. The Group has established cooperation with institutions of higher education and develops knowledge in the field of energy engineering.Link4 and Skywarn Poland - Polish Storm Hunters have given clients holding real estate insurance access to a weather alert system. Clients receive a text message containing a warning and a website link where they can read about how to protect themselves against the adverse consequences of various weather events. The reception of this service has been positive with fewer than 1% of clients discontinuing it has inclined the firm to make a similar service available in 2019 to motor insurance clients. It can be expected that weather warnings will exert a measurable contribution to enhancing road safety and reducing the number of accidents.

 The PZU Group's insurance business is aimed at offering insurance products tailored to the needs of both individual and corporate clients in various sectors of the economy. The Group's highest priority is to properly respond to the current needs of the Polish market and economy in accordance with national and EU regulations (including those safeguarding the principles of fair competition and permitting cooperation only with those business clients whose activity, according to PZU's knowledge, complies with the applicable laws). The complexity of needs, and - consequently - of the offer, has led PZU do provide, inter alia, insurance cover to entities in the mining and power sectors. Besides traditional operations based on coal, clients from this group also develop their activities in the area of renewable energy sources. The PZU Group plans further development of policy and practices in the area of indirect environmental impact, abiding by sectoral trends and the specificity of Polish economy.

BEST PRACTICE



Environmental guarantee

The PZU Environmental Guarantee offers support to businesses, both natural and legal persons. The guarantee is a commitment to pay a specified compensation if the company to which the guarantee has been granted fails to remove adverse environmental effects of its business operations. The beneficiary of this guarantee is the environmental protection authority issuing the relevant administrative instrument giving a permit to use natural resources, e.g. the marshal, provincial governor (voivod) or county governor (starost).

The guarantee offers a form of protection to companies whose activities may have an adverse impact on the environment, e.g.:

- chemical plants,
- companies dealing in trans-border movement of waste,
- municipal services plants.



6. Ethical foundations of business operations



Reporting problems of an ethical nature - "all of us have a duty to act in accordance with the highest ethical standards and the law. We are obligated to report all our doubts regarding problems of an ethical nature and activities in violation with the law and internal regulations. We acknowledge that this information is conveyed voluntarily and in good faith. In circumstances evincing doubts we may approach our immediate supervisor or report the same to the Whistleblowing System in operation in PZU Group entities."

PZU Group's Policies [UoR]

[GRI 102-16] GRI 103-2, GRI 103-3]



"Our *STABILITY* is a very important value provided to our clients. Everyone who has chosen PZU's offer may be sure that it is starting cooperation with a secure and trustworthy company, an honest business which offers reliable products. The image of a stable company is not developed or bought fast - it represents years of hard work and millions of decisions. Stability is also important for PZU employees - for whom it stands for care about their professional development, career opportunities in the company, and secure forms of employment."

Maciej Rapkiewicz, Member of the Management Board and CRO of PZU and PZU Życie

"How does the PZU Group deploy a culture of ethics? What are the key challenges in this area and what will the Group focus its efforts on over the next one or two years?"
Comment made during a dialogue session



"The PZU Group is the largest financial group in Poland, comprising a diverse range of entities operating in many markets (insurance, banking, investment, health care and other). The development of a culture of respect, in the organization and on the part of cooperating entities, for the principles and requirements of business ethics, law, soft law and fair relationship with clients and consumers is a continuous process. For many years now PZU has been setting the highest market standards in Poland in this respect. A mature organization responds pro-actively to changes in its environment - both internal and external - by consistently adapting its resources and activities to current needs. The compliance area in the PZU Group is organized in a similar way - we exercise foresight about the future and adapt our activities to needs and identify potential gaps and threats that may have an impact on our organization's compliance in the future; we also focus on continually raising awareness of our employees. It is only such a pro-active approach that can guarantee a culture of dedication to achieve a shared objective, while abiding by our values and ethics."

Marcin Góral, Compliance Department Director

"I would like to learn more about the development of ethical culture in the PZU Group. It was mentioned a number of times in the last year's report. However, the issue itself seems to refer to a much broader spectrum, because nowadays ethical matters are rapidly growing in importance, especially in the world of finance. It seems to me that you are doing much more in this field than presented in the report. Please elaborate."
„The development plan of corporate culture and corporate governance"

Comment made during a dialogue session

The ethics management system in the PZU Group has been established and operates based on group agreements and practices. It is an integrated set of values, rules of conduct, tools, including procedures and regulations for employees and the personnel responsible for managing the system, supported by adequate communication with, and education of, employees. Individual companies in the PZU Group have a range of separate policies, procedures and practices in this area. This system comprises, inter alia:

- values and rules of conducts, including Best Practices of the PZU Group, Alior Bank Code Of Ethics and the Pekao Group Code Of Ethics,
- procedures, policies and organizational arrangements,
- a system of reporting irregularities and potential malpractice (the so-called Whistleblowing System),
- educational and communication activities addressed to employees and suppliers.

The Best Practice Collection is the foundation of ethical standards in the PZU Group. Its aim is to develop a consistent organizational culture of the company in all key aspects of its operation.

The Best Practices define behaviors and conduct towards all stakeholders of the company, based on respect and trust. At the same time, this document serves as a common denominator of corporate culture, for all members of the Group. Thanks to the consistent compliance of our fundamental principles, all our activities and processes are

carried out based on coherent assumptions, thus ensuring a high operating standard throughout the Group.

BEST PRACTICE




The New Best Practices of the PZU Group were introduced in 2018. This document is a uniform model of the standards observed by all PZU Group entities, except for the Armatura Kraków Group and Ardea Alba in liquidation (formerly PZU Asset Management); and the Alior Group, and Pekao, which operate the Alior Bank Code of Ethics and the Pekao Group Code of Conduct. The PZU Group Best Practices are a collection of values and principles that the employees should be guided by.

The PZU Group's Best Practices describe the fundamental rules of conduct of employees, giving examples of many situations, e.g.:

- conflict of interest,
- handling sensitive information,
- receiving potentially inappropriate gifts,
- sales of a product with inherent compliance risk,
- investment of private funds in PZU shares,
- public provision of information or writing a blog,
- and many other.

Values of the Group PZU	Our promise to the client	Our promise to the employee
Stability	<ul style="list-style-type: none">• Safe and trustworthy business operation• An offer of reliable products	<ul style="list-style-type: none">• Care for employee development and career opportunities in the PZU Group• Secure forms of employment
Honesty	<ul style="list-style-type: none">• Transparent rules of communication• Keeping promises	<ul style="list-style-type: none">• Fulfilling obligations• Clear operational principles of the organization
Innovation	<ul style="list-style-type: none">• Knowing clients' needs and seeking new solutions• Setting trends in the financial services market	<ul style="list-style-type: none">• Thinking out of the box• Actively seeking improvements in the company's operations
Responsibility	<ul style="list-style-type: none">• Being responsible for our clients at every stage of their lives• Conscious choices thanks to educational and prevention activities	<ul style="list-style-type: none">• Taking into account the potential impact of decisions on employees• Involvement in socially responsible activities



 Both Alior Bank and the other Alior Group companies operate a Code of Ethics, which regulates, inter alia, the relationship of the company and its employees to clients, ethical behavior and respect for the law. Furthermore, Alior Bank has implemented an Environment Policy applicable to a workplace free from undesirable conduct. The Policy applies to all Alior Bank employees and is a reflection of the Employer's fulfillment of the obligation to prevent and counteract undesirable conduct in the workplace, in particular discrimination, mobbing, and harassment, including sexual harassment. The employees took part in a training "Undesirable Conduct in the Workplace", which discussed behaviors that are considered objectionable and what to do if they are observed. Another implemented policy is the Policy of Unfair Selling Prevention, in order to manage the risk of misselling and improve the quality of the Bank's products offering process.

The Pekao Group operates a Code of Conduct, designed to ensure the highest standards of service and protection of reputation by the Group's employees.

- The principles of the Code of Conduct are as follows:
- treat everyone with respect and dignity,
 - respect human rights,
 - protection of reputation,
 - standards of communication,
 - occupational health and safety,
 - protection of assets
 - financial reporting,
 - care for natural resources,
 - responsible marketing and promotion,
 - protection of legally protected information,
 - counteracting money laundering and financing of terrorism,
 - consumer protection,
 - fair competition and prevention of monopoly practices,
 - confidential information and market abuse,
 - management of conflict of interests,
 - counteracting corruption.

PZU Group's ethical culture is developed in line with the needs of the Group's entities, taking account of the scale, character and type of their operation and local laws.

The PZU Group deploys its ethical culture by creating system-based solutions at the PZU level. As the parent company, PZU sets and develops the standards of conduct, and then

recommends them for deployment in the other Group companies. The companies then implement the solutions and standards of conduct recommended by PZU, abiding by the so-called principle of proportionality and adequacy, i.e. the scale, character and type of their activities, provisions of local law and purposefulness of a given solution in the company's operation; they report compliance risks back to PZU, with due respect for legally protected secrets ensured.

PZU emphasizes building of compliance awareness among its employees, by developing an organizational culture of the PZU Group based on ethical values which reflect the fundamental principles of compliance. The most important events in this area include:

- PZU Compliance Week - z regular event designed to build and improve the awareness of PZU Group employees as regards the local and European regulatory environment and key information about the compliance function, in an easy to understand form, including expert talks, training, knowledge contests, as well as individual and group compliance knowledge tournaments.
- PZU Compliance Newsletter - a quarterly which presents, in an easy to understand form, current regulatory challenges faced by the PZU Group, as well as selected market events which may be interesting and useful for all PZU employees in their daily work, as well as standards of conduct enforced in the PZU Group.
- Compliance Network - regular meetings addressed to the personnel responsible for compliance in the PZU Group companies. The meetings are designed to acquaint the compliance professionals with the most important developments in the area of compliance.
- Training: e-learning and classroom courses, including for newly-hired employees.

6.1 Corporate governance

Honesty is important to us - "honesty means more to us than just acting in accordance with the law. It also means admitting to the errors we have committed and drawing conclusions from them. It also signifies the skill and courage of voicing our own opinions, fulfilling the promises we have undertaken, openly expressing recognition and doubts."



[GRI 102-5]
The PZU joint stock company was established on 23 December 1991, transformed from the state-owned Państwowy Zakład Ubezpieczeń. PZU conducts its operations under the Insurance and Reinsurance Act of 11 September 2015 (Journal of Laws of 2017, item 1170, as amended). A milestone in the PZU Group development was the public offering of its shares on the Warsaw Stock Exchange, which took place on 10 May 2010. PZU follows the Best Practices of Companies Listed on the WSE.

Since 31 January 2012, PZU has been included in the RESPECT Index - the first index of socially responsible companies in Central and Eastern Europe. Since that time, the areas of Environment, Social and Governance (ESG) have been subject to independent verification under the RESPECT Index audits.

"In a large group of banks, ethical issues are included in the Compliance area; however, there are banks which have created dedicated teams to manage ethical matters, accountable to a designated member of the management board. In this context, it is important to show the structures of the Governance function in the PZU Group (including the banks) and the structures of ethical matters management at every organizational level."

Comment made during a dialogue session



In PZU, ethical matters are managed by the Compliance Department - an independent organizational unit reporting to the President of the Management Board. The Compliance Department is responsible for system-based management of compliance risk and other quality-related risks. The Director of the Compliance Department is responsible for oversight over the key compliance function. The Managing Director for Regulations, overseeing the Compliance Department, as well as the Director of the Compliance Department, have direct access to the members of the Company's Management Board and Supervisory Board, to whom the compliance function reports. The reporting proceeds in monthly and annual reports for the Management Board and quarterly risk reports to the Audit Committee of the Supervisory Board and the Supervisory Board itself, as well as in the form of ad hoc information provided to the members of the Company's statutory bodies if need arises. At the same time, every year the PZU

Management Board approves a Compliance Analysis Plan for a given year, which specifies additional areas to be subject to analysis, including the ethical matters.

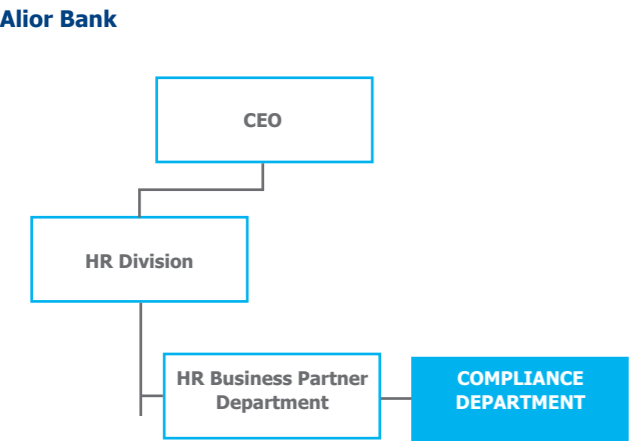
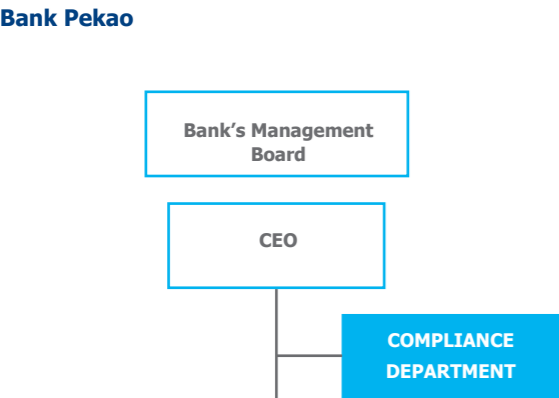
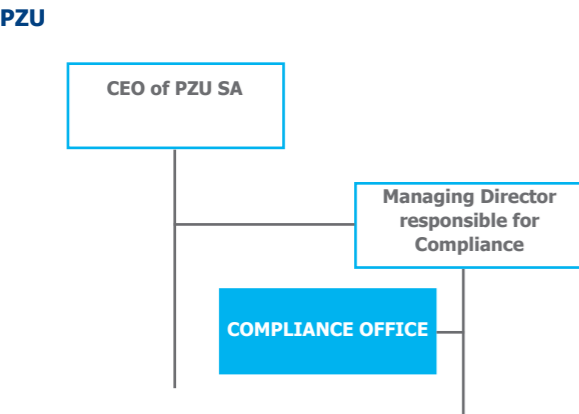


Bank Pekao, as well as Alior Bank, have designated an independent organizational unit reporting directly to the President of the Management Board. In Bank Pekao, ethical matters are managed by the Compliance Department; in Alior Bank, they are managed by the of Regulation Compliance Department. These Departments prepare and present to the Bank's Management Board and the Audit Committee of the Supervisory Board (quarterly) reports of compliance risk monitoring, including information on the identified compliance risk level in the individual area and the recommendations made to mitigate or eliminate the identified risk. Furthermore, the Departments present an Annual Plan of the Compliance



unit activities and an annual Report on compliance risk management to the Bank’s Management Board, the Audit Committee of the Supervisory Board and the Supervisory Board.

Compliance and ethical matters management structure:



[GRI 102-18]

Group’s Organizational Structure

Shareholder Meeting

The highest corporate body of PZU is the Shareholder Meeting, operating pursuant to the Commercial Company Code and the Articles of Association. The Shareholder Meeting adopts decisions regarding PZU organization and operation. Resolutions are adopted by an absolute majority of votes, except in special cases provided for in the relevant laws.

Supervisory Board

The Supervisory Board exercises continuous oversight over PZU operations. It is composed from seven to eleven members. The Board’s organization and work are defined in the Rules and Regulations of PZU Supervisory Board, adopted in February 2016.

Supervisory structure of PZU and PZU Życie

PZU	PZU Życie
Maciej Łopiński – chairman of the Supervisory Board	Paweł Surówka – chairman of the Supervisory Board
Paweł Górecki – vice-chairman of the Supervisory Board	Piotr Głod – vice-chairman of the Supervisory Board
Alojzy Nowak – secretary of the Supervisory Board	Marcin Szuba – secretary of the Supervisory Board
Marcin Chłodziński – member of the Supervisory Board	Beata Bieńkowska – member of the Supervisory Board
Agata Górnicka – member of the Supervisory Board	Norbert Dworak – member of the Supervisory Board
Robert Jastrzębski – member of the Supervisory Board	
Katarzyna Lewandowska – member of the Supervisory Board	
Robert Śnitko – member of the Supervisory Board	
Maciej Zaborowski – member of the Supervisory Board	

Management Board

The Management Board exercises any and all rights related to managing PZU which are not otherwise reserved for the Shareholder Meeting or the Supervisory Board by law or by the provisions of the Articles of Association. Two Management Board members acting jointly or one Management Board member acting with a commercial proxy, are authorized to

represent the Company. The Management Board adopts its rules and regulations, which are approved by the Supervisory Board. The Management Board is composed of three to seven members appointed for a shared term of three years.

Management structure of PZU and PZU Życie

PZU	PZU Życie
Paweł Surówka – President of the Management Board	Roman Pałac – President of the Management Board
Roger Hodgkiss – Member of the Management Board	Aleksandra Agatowska - Member of the Management Board
Tomasz Kulik – Member of the Management Board	Roger Hodgkiss – Member of the Management Board
Maciej Rapkiewicz – Member of the Management Board	Tomasz Karusewicz - Member of the Management Board
Małgorzata Sadurska – Member of the Management Board	Tomasz Kulik – Member of the Management Board
	Bartłomiej Litwińczuk - Member of the Management Board
	Dorota Macieja – Member of the Management Board
	Maciej Rapkiewicz – Member of the Management Board
	Małgorzata Sadurska – Member of the Management Board

Audit Committee

The Audit Committee is appointed by the PZU Supervisory Board. The majority of the Audit Committee members, including the chairperson, satisfy the independence criteria defined in the Act on Statutory Auditors, Audit Firms and Public Supervision, and at least one member has knowledge and skills of accounting or audit of financial statements in accordance with the Act. The Audit Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the Supervisory Board’s oversight activities in respect of the correctness of financial reporting, the effectiveness of internal control system, including internal audit, and the risk management system.

Compliance

PZU operates a compliance system, which supports the organization in conducting its business in a purposeful, lawful and ethical way. This system comprises standards of conduct

and ethical norms, which support the organization in the mitigation of compliance, corruption and conflict of interests risks, and in the identification and prevention of irregularities.



In 2018, PZU and PZU Życie updated, inter alia, the anti-corruption program, the conflict of interests management rules and the whistleblowing procedure, which in principle have been or will be updated in the remaining PZU Group companies, including Link4. Information about the updated standards of conduct and compliance risk was presented to the organization, inter alia, at the annual Compliance Week, organized by the Compliance Department.

The compliance system in PZU’s direct or indirect subsidiaries, with which agreements have been concluded on cooperation or exchange of information, is based on, and consistent with, the principles deployed by PZU.

More information about the system of management for ethical matters, compliance and corporate governance of the Alior Group and the Pekao Group can be found in separate reports on the operation of those entities.

6.2 Preventing corruption and conflict of interests



Corruption and gift policy - "We do not tolerate corruption. We act ethically and in accordance with the law when performing our business tasks and cooperating with our business partners. The PZU Group has strictly defined rules in force for accepting and giving gifts. We do not give unpermissible presents to business partners, their employees, agents or other third parties. Nor do we promise or expect to receive such presents, nor do we accept them. In particular, this applies to situations in which the type and extent of these gifts affect the actions or decisions of the recipient. It is also unacceptable to make use of third parties to circumvent this rule."

PZU Group's Policies [UoR]

[GRI 102-11, GRI 103-2, GRI 103-3]

The PZU Group has, and will always have, zero tolerance for any form of corruption. The organization's implemented solutions define the rules of corruption risk management, including the identification of this risk, its prevention and monitoring.

The Group's companies operate solutions designed to prevent corruption, including, inter alia, the rules of accepting and giving gifts, conflict of interest management, and ethical principles to be followed by members of the Company's statutory bodies. Relative to the entity in question, these rules are covered by a range of implemented documents, regarding, inter alia, prevention of corruption, a code of code of conduct, whistleblowing, conflict of interest management, and procurement. Those issues are also discussed during in-house training in the Company. Gifts and entertainment, exclusively of low value, may be offered or received in the course of typical business practice. Under no circumstances can money or its equivalent be offered or received. Giving and receiving gifts and entertainment cannot be so frequent, excessive or generous as to represent an actual or perceived risk of corruption, or breach local statutory or executive regulations.

The basic document in the anti-corruption policy is the document entitled "PZU Group's Best Practices" which expressly prescribes zero tolerance for any corruptive behaviors. The provisions of the policy obligate each employee to act in compliance with the law and defined ethical standards. The best practices have been implemented in all PZU Group entities as well as the Alior and Pekao Group, which have separate regulations in this respect in place.

BEST PRACTICE

"The company's actions should not be limited only to internal measures to reflect, inter alia, the provisions of the OECD Convention on Combating Bribery of Foreign Public Officials, but should also disseminate knowledge in this respect, given the broad range of experiences gathered in this respect."

Comment made during a dialogue session



Considering corruption to be one of the most serious factors threatening the principles of democracy and market economy, OECD has taken actions to combat this phenomenon. For many years Poland has been a member of OECD which has developed the provisions of the convention on combating bribery of foreign public officials.



PZU takes a number of actions, not only within the organization but also outside it, to promote the awareness regarding prevention of corruption. In 2018 the

PZU Group participated in different initiatives aimed at developing best practices in the area of anti-corruption activities. These activities were conducted as part of PZU's cooperation with industry associations, including, for example, the Compliance Association Poland, Polish Insurance Association and the Warsaw Stock Exchange Compliance Committee.

In 2018 PZU received the "Ethical Company" award thanks to, among others, implementation of anti-corruption programs in the PZU Group.

PZU, PZU Życie and Tower Inwestycje have in place an Anti-Corruption Program which reduces the risk of corruption. The Program defines examples of corruption and division of responsibilities to effectively control the risk in the company. The Program defines the business areas in which the corruption risk is potentially the highest and describes the symptoms of behavior and conduct of employees which may point to potential corruption threats in the given area. The Program also introduces an obligation of periodic assessment of corruption risk in PZU. It includes, among other things, corruption risk self-assessment questionnaires conducted among employees, registered notifications of irregularities in specific areas, results of internal inspections and reports of non-governmental organizations dealing with the corruption problem. In 2018 PZU adopted a mechanism for automatic (using an internal HR system) collection of employee representations confirming familiarization with and application of the Anti-Corruption Program.

[GRI 205-2]



After implementation of the Anti-Corruption Program all PZU employees were obligated to familiarize themselves with it and comply with its provisions and submit pertinent representations confirming familiarization with

and application of the Program.

Ethical issues are an element of onboarding training for the newly employed. Additionally, in 2018, corruption risk was the subject matter of training courses delivered as part of the 2018 Compliance Week organized by PZU and PZU Życie. PZU also organized meetings with an external expert devoted to the question of corruption. In Q1 2019 an e-learning course dedicated to the Anti-Corruption Program will be launched.

With regard to suppliers, the corruption risk is a constant element of the purchasing process in place in PZU and PZU Życie. Each potential supplier is subject to corruption risk assessment on the basis of a dedicated risk assessment questionnaire. In addition, in accordance with the Anti-Corruption Program, each cooperation agreement between the company and a business partner should comprise anti-corruption clauses. One of the clauses is a confirmation of acceptance of the anti-corruption standards prevailing in PZU by the supplier. In accordance with the internal procedures, entities cooperating with PZU and PZU Życie are informed about the Anti-Corruption Program in place in the company.

PZU has implemented solutions imposing an obligation to identify and assess corruption risk as part of the ongoing compliance risk management. The 2018 corruption risk assessment confirms that the system solutions work correctly and that actions aimed at managing this risk are taken with due diligence.

These actions are supplemented by anti-corruption training and campaigns executed in the corporate communication channels, attracting the employees' attention to the corruption risk. In 2018 the company was also preparing for implementation of a new e-learning training on the Anti-Corruption Program.

Building on the general rules laid down in the Anti-Corruption Program, PZU and PZU Group companies, excluding Armatura Kraków SA and Arm Property, have also adopted their conflict of interest management rules. Each potential conflict of interest which could hinder effective and objective performance of work for the PZU Group should be reported by the employee to their manager and the PZU Group entity's compliance unit. The conflict of interest management rules introduced in the PZU Group ensure professional, reliable and fair treatment of all clients and persons related to the company in conflict of interest situations.

A person who determines that a conflict of interest has occurred or may occur as a result of the performance of his/her duties is required to take steps aimed at eliminating the conflict of interest and to notify the conflict of interest in accordance with the adopted procedure. The report form is submitted to the managers and the compliance unit in the PZU Group company which analyzes the report.

[GRI 205-1] [GRI 205-3]

All business units of the PZU Group are analyzed for corruption risk. One corruption case was identified in the PZU Group.



One case of corruption was recorded in PZU in 2018. In the case in question the company conducted clarification activities, ended with recommendations for the substantive units.

Based on the collected findings the company terminated its cooperation with the employee pursuant to Article 52 of the Labor Code and made a decision to report a suspicion of crime. No corruption cases were recorded in PZU Życie.



6.3 Diversity and respecting human rights



We respect one another - "Respect is visible in our attitude and approach to others who have placed their trust in us. We do not tolerate any forms of discrimination. Every person who witnesses these types of practices in the PZU Group should report them without fear. We respect persons employed in all positions and we value their contribution in the work of the entire team. We are of the opinion that the diversity of roles and variety of character and personality traits build the entire organization's success."

PZU Group's Policies [UoR]

[GRI 103-2]

The respect for diversity and equality and the prohibition of discrimination are two principles that are deeply rooted in PZU Group's organizational culture. The Group is involved in activities fostering conscious management of diversity, including workshops and training classes for employees and managers. This way the company supports the creation of an organizational culture open to recognizing individual

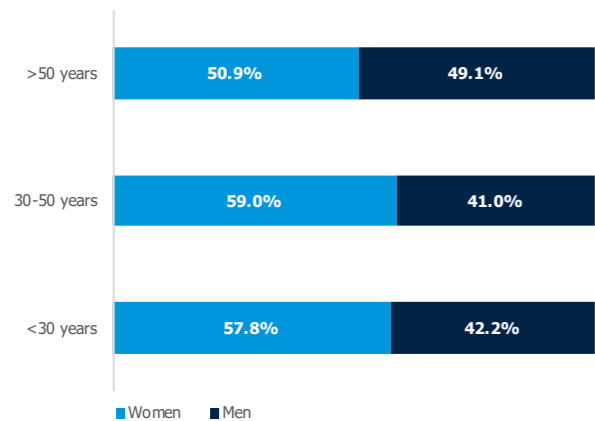
dissimilarities and differences and working to prevent any cases of employee discrimination on the grounds of dissimilarity. Owing to the implementation of a number of such regulations and practices, the bank is able to take actions within the framework of sustainable development while respecting diversity and applying equal treatment.

[GRI 405-1]

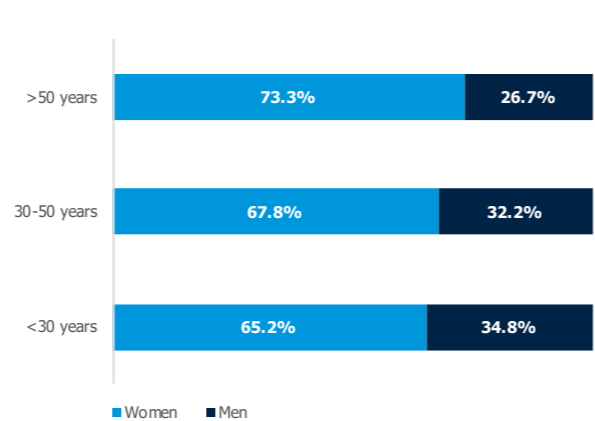
Composition of supervisory bodies and employees broken down into employee groups by gender, age and other diversity factors converted into FTEs:

Employees by age category and diversity	Percentage of employees in each category in relation to the total number of employees in the given category in PZU		Percentage of employees in each category in relation to the total number of employees in the given category in PZU Życie	
	Women	Men	Women	Men
<30 years old	57.8%	42.2%	65.2%	34.8%
30-50 years old	59.0%	41.0%	67.8%	32.2%
>50 years old	50.9%	49.1%	73.3%	26.7%
Total by gender	57.3%	42.7%	68.5%	31.5%
Foreigners	60.6%	39.4%	74.1%	25.9%

PZU – employee age by gender

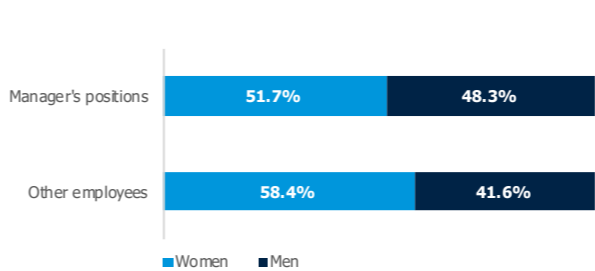


PZU Życie – employee age by gender

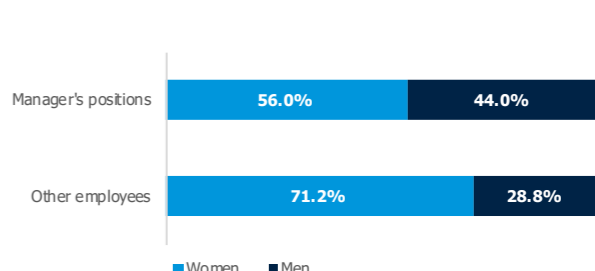


Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in the organization in PZU		Percentage of employees in each category in relation to the total number of employees in the organization in PZU Życie	
	Women	Men	Women	Men
Management positions	51.7%	48.3%	56.0%	44.0%
Other employees	58.4%	41.6%	71.2%	28.8%
Total by gender	57.3%	42.7%	68.5%	31.5%

PZU – percentage of managerial positions

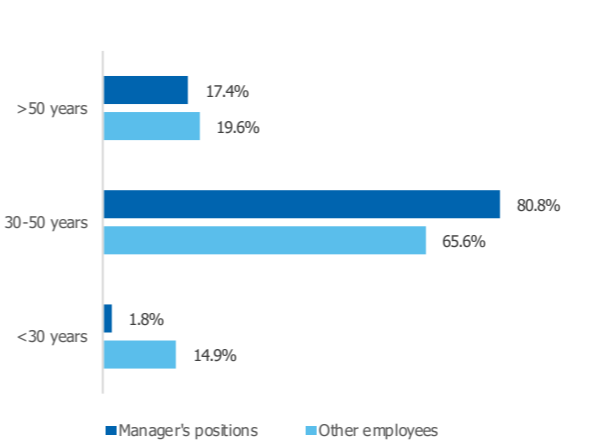


PZU Życie – percentage of managerial positions

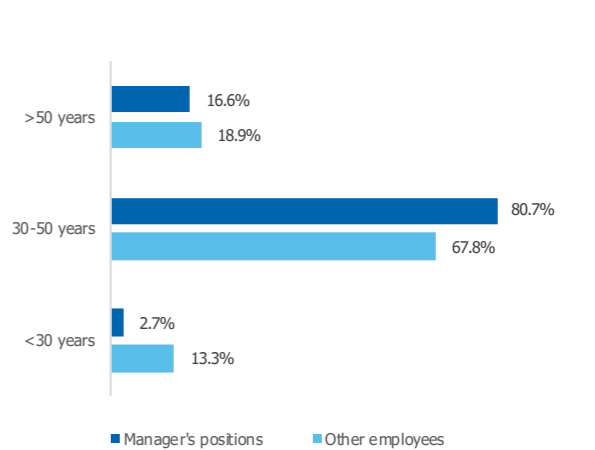


Employees by employment structure	Percentage of employees in each category in relation to the total number of employees in the organization in PZU			Percentage of employees in each category in relation to the total number of employees in the organization in PZU Życie		
	<30 years old	30-50 years old	>50 years old	<30 years old	30-50 years old	>50 years old
Management positions	1.8%	80.8%	17.4%	2.7%	80.7%	16.6%
Other employees	14.9%	65.6%	19.6%	13.3%	67.8%	18.9%

PZU – positions by age



PZU Życie – positions by age



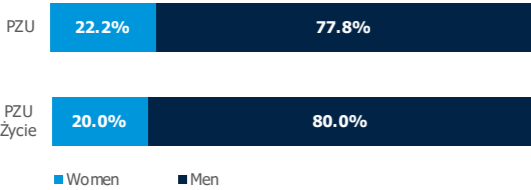
Composition of the Supervisory Board by age category and diversity:

Composition of the Supervisory Board by age category and diversity	Percentage in each category in PZU		Percentage in each category in PZU Życie	
	Women	Men	Women	Men
<30 years old	0.0%	0.0%	0.0%	0.0%
30-50 years old	22.2%	55.6%	0.0%	60.0%
>50 years old	0.0%	22.2%	20.0%	20.0%
Total percentage by gender	22.2%	77.8%	20.0%	80.0%
Foreigners	0.0%	0.0%	0.0%	0.0%

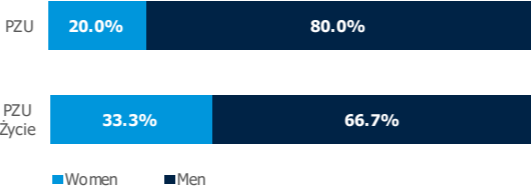
Composition of the Management Board by age category and diversity:

Composition of the Management Board by age category and diversity	Percentage in each category in PZU		Percentage in each category in PZU Życie	
	Women	Men	Women	Men
<30 years old	0.0%	0.0%	0.0%	0.0%
30-50 years old	20.0%	60.0%	22.2%	55.6%
>50 years old	0.0%	20.0%	11.1%	11.1%
Total percentage by gender	20.0%	80.0%	33.3%	66.7%
Foreigners	0.0%	20.0%	0.0%	11.1%

Supervisory Board composition by gender



Management Board composition by gender



"In addition to specifying whether there have been any cases of discrimination in the Group, specify the actions taken to prevent and eliminate them." Expectations regarding the dialog session"

Comment made during a dialogue session

The Group companies, except for the Armatura Group and Arm Property (in which implementation is under way), anti-mobbing policies and internal procedures are in place. In the case of companies with a low headcount (e.g. Tower Inwestycje) no separate documents pertaining to prevention of mobbing have been implemented. The companies comply with the general document, PZU Group Best Practices, which indirectly regulates the conduct in a mobbing situation. In Tower Inwestycje implementation of an anti-mobbing procedure is planned for Q1 2019. In TUW PZUW implementation of an anti-mobbing procedure is planned for Q2 2019.

PLN In the Pekao Group the Policy aims at developing appropriate conditions and creating a mobbing-free work atmosphere. It lays down a procedure for lodging and reviewing mobbing complaints and guidelines giving the company's employees the possibility to manage their career, attain success and assess their work on the basis of individual achievements.

In PZU Zdrowie and its subsidiaries the implemented Anti-Mobbing Policies are compliant with the PZU Group's guidelines.

PLN In the Alior Bank Group, the personal dignity issue is taken care of in the Code of Ethics applicable to employees of all its member companies. The Code contains guidelines on applying the principles of professionalism and respect in the workplace as well as the principles of good manners, openness toward diversity and tolerance.

In PZU TFI there is an internal Anti-Mobbing Procedure. In turn, PTE PZU has adopted a resolution on the "Rules for preventing mobbing in Powszechne Towarzystwo Emerytalne PZU Spółka Akcyjna". Among the purposes of this procedure is to set forth the provisions governing the appointment and responsibilities of the anti-mobbing committee.

CHALLENGE

"How do you manage the question of diversity and equality of employment opportunities?"

"How do you prevent breaches in the form of discrimination or mobbing?"

Comment made during a dialogue session

[GRI 419-1]

In 2018 PZU recorded 7 non-financial sanctions for non-compliance with the law or regulations totaling PLN 212,945, while PZU Życie had 3 instances totaling PLN 24,105. In both companies, the claims pertained to remuneration, retirement severance pay and reinstatement of employment.

[GRI 406-1]

In 2018, in PZU and PZU Życie, the labor court confirmed one case of mobbing based on a statement of claim filed in 2013. The mobbing complaint, which the labor court found justified, has not been lodged by the employee with the Anti-Mobbing Commission. There have been no other confirmed cases of mobbing for 5 years. PZU attaches special importance to prevention of mobbing in the workplace and cares for a friendly work environment so that it is free of any unlawful behaviors.

In PZU mobbing prevention is also supported by the Anti-Mobbing Procedure. The "report the incident" procedure enables employees to report information about breaches of rules using an Intranet platform. An Anti-Mobbing Commission has been appointed verify unacceptable behaviors. It reviews employee complaints and investigates each signal of behaviors that may have the features of mobbing.

In addition, an e-learning training course entitled “Mobbing – legal and psychological aspects” is available to all employees. In addition to mobbing-related issues, employees are provided with information on prevention of discrimination and equal treatment in employment opportunities.

PZU ensures equal opportunities to employees for development, improvement of their skills and promotions. The remuneration system depends on the type of the work performed, the value of the position for the Company, the employees’ competences, required skills and market remuneration levels. PZU prevents discrimination regarding remuneration, among others through setting transparent, non-discriminatory fixed compensation levels for the same type of work or work with the same value, reflecting primarily appropriate professional experience and organizational responsibility defined in the job description.

Principles supporting diversity and equal treatment span all career stages in the company, starting from the recruitment process to the duration of the employment relationship (employment terms, access to training and development-minded activities, opportunities to be promoted) to the termination of cooperation.

PZU confirmed its will to pursue a diversity policy by joining the signers of the Charter of Diversity in 2013.

BEST PRACTICE



The client service standards in place in PZU branches comprise a “Five Steps Theory” which places particular



emphasis on the senior citizens’ needs (e.g. problems with vision, hearing, mobility or comprehension of complex information). The employee guide contains recommendations on how to provide services to senior citizens. In particular, it contains the instruction that the information should be provided in an understandable manner, sometimes more slowly.

The same principles apply when providing the services to the disabled, including people with mobility impairment, blind persons or persons with impaired vision, deaf persons or persons with impaired hearing, or people with speech impediment. Additionally, in eight biggest Polish cities, clients can be serviced using the sign language.

Approx. 80% of PZU branches are partly adapted to accommodate people with disabilities. They are equipped, among others, with appropriate driveways, ramps, platforms, elevators and stair-climbers. 30% of PZU branches provide people with disabilities with properly equipped toilets. The toilets have, among others, maneuvering space for wheelchairs and grab rails. PZU also makes sure that the car parks are adapted to the needs of eligible vehicles, by designating properly labeled places.

PZU also meets the needs of parents. Playroom corners have been prepared specially for the children, where the child may freely and safely occupy oneself while the parent is taking care of all the matters related to an insurance policy. As at the end of 2018 there were playroom corners in 13 branches, and in 120 branches children could play with environment-friendly puzzles.

6.4 Whistleblowing system

We can file reports - “in the chosen manner that is appropriate for a PZU Group entity:

- by phone or fax
- by mail – to the address of the PZU Group entity’s compliance unit
- by e-mail – to the address of the PZU Group entity’s compliance unit
- in person – to the address of the PZU Group entity’s compliance unit.”



[GRI 102-11, GRI 102-17]

“Please provide information about the whistleblowing process. Please specify, inter alia, who receives the notifications and whether this can be done anonymously, whether the notification will be communicated directly to the stakeholders, taking into account the differentiation between different companies. Let me note that the whole range of irregularities and breaches is meant here, not only in the area of prevention of corruption, especially because according to the statistics, as much as 80% of the notifications pertain to employee matters, therefore clear information in this regard is extremely important to maintain appropriate transparency of the activities of the entire Group and its companies.”

Comment made during a dialogue session



In all Group companies, both Polish and foreign, separate whistleblowing procedures are in place.

In PZU and PZU Życie and in other PZU Group companies, employees are informed about prevailing standards of conduct, among others during on-boarding training on compliance and e-learning courses.



Entities cooperating with PZU and PZU Życie are obligated to provide pertinent information about the existence or functioning of a document regulating the ethical issues and standards of conduct in the given company.

All advice pertaining to ethical and legal aspects of conduct are provided anonymously, in full compliance with confidentiality principles. In 2018, 570¹ requests for advice were submitted in total. The level of satisfaction of the persons who took advantage of the services is high. All reported cases were carefully analyzed.

In all Group companies there are independent mechanisms for reporting information on existence, suspected existence

or possible existence of irregularities, abuses and concerns regarding existence of irregularities.

In accordance with the Whistleblowing Procedure prevailing in the companies, all such information about irregularities or abuses can be reported through the channels operated by the Compliance Department using:

- dedicated hotline and fax;
- traditional mail to the address of the Compliance Department;
- dedicated e-mail addresses;
- dedicated Internet form;
- in person: directly to an employee of the Compliance Department.

The above mechanisms are available, among others, to employees, agents and other entities cooperating with the company on the basis of civil-law agreements.

In principle, in the remaining PZU Group companies, the system has been based on the solutions in place in PZU.



¹ Data for PZU and PZU Życie

Ethical foundations of business operations



"Describe the functions and roles responsible for management of ethical questions at each level of the organization"

Comment made during a dialogue session

In accordance with the prevailing procedure, proceedings with regard to irregularity notifications are conducted by the Compliance System Team in the Compliance Department and, if they are absent or excluded, such proceedings are conducted by the Compliance System Team Manager. In the case of absence or exclusion of the aforementioned persons, the proceedings are conducted by the director of the Compliance Department.

The person conducting the proceedings analyzes the factual circumstances and the legal status specified in the notification and established in the proceedings.

PZU also has in place a Whistleblowing System which enables employees and entities cooperating with PZU to report issues of importance for the company's legal and financial interest and irregularities of ethical nature.



"Are breach notification issues managed on the level of other group companies?"

Comment made during a dialogue session

Despite the independence of the breach notification systems, the structures operated efficiently and effectively. Reports summarizing the risks and breaches are presented to the management boards of individual Group companies. In 2018, in the entire PZU Group, there were 10 identified breaches of the rules of conduct pertaining to ethics and human rights. One case occurred in the Pekao Group, two in Link4 and eight in Alior Bank. As a result of these cases, the following sanctions were applied: disciplinary talk, transfer of the employee to a different entity, termination of the employment contract.



In Bank Pekao, the whistleblowing system is defined by the Whistleblowing Policy. It provides for the possibility of lodging anonymous (or non-anonymous) notifications of practices inconsistent with the applicable laws or internal regulations. All notifications are examined and processed properly. The Policy

has not been implemented in the Bank's subsidiaries, but some of them have developed internal procedures regulating this issue. These included, among others, Centralny Dom Maklerski Pekao, Pekao Bank Hipoteczny and Pekao Investment Banking.

In the Alior Group, the whistleblowing process and guarantee of anonymity for the whistleblowers are laid down by the Compliance Policy. The Bank ensures the possibility to use different communication channels. An employee may choose the way for reporting their comments and concerns in the way they find fit. Notifications can be submitted orally or in writing to the Regulation Compliance Department, by email to the dedicated address etyka@alior.pl, and by sending a message by mail or email from publically available websites, making it possible to send messages without specifying the sender's address or in any other manner selected by the whistleblower. Notifications of breaches are forwarded to the Bank's Management Board member responsible for the current functioning of the whistleblowing procedures. This role is discharged by the President of the Bank's Management Board. If the notification pertains to the Bank's Management Board member, the Bank ensures the possibility of reporting the case directly to the Chairperson of the Bank's Supervisory Board to their email address. The operation of the etyka@alior.pl mailbox, coordination of verification of the reported breaches and the follow-up action is the responsibility of the Regulation Compliance Department.

Alior Bank has in place also a Policy of workplace free of undesirable behaviors, which additionally regulates the question of reporting irregularities in the case of undesirable behaviors such as mobbing, discrimination, harassment and sexual harassment.

In all Health Area companies a compliance regulation package has been implemented, comprising, among others, a whistleblowing procedure.



PZU's foreign companies have whistleblowing systems in place. In Estonia and Ukraine a Whistleblowing Procedure has been implemented. Breaches are reported by email

or in writing to the direct manager. In Lithuania each employee may anonymously report a breach or abuse via the Intranet. Upon receiving a notification, the abuse prevention manager carries out an inspection based on the received information and submits the results of the investigation to the company's Management Board.

6.5 Transaction security

Counteracting money laundering and terrorism financing - "money laundering and terrorism financing are perceived as a genuine and material risk in our business. This is a worldwide problem that gives rise to grave consequences on the financial market. For that reasons the PZU Group has been taking any and all legally permissible actions to prevent situations in which the transactions it executes would be used for money laundering or terrorism financing."



PZU Group's policies [UoR]

[GRI 103-2]

Financial crime, money laundering and financing of terrorism are the challenges that bring about serious consequences for the financial markets across the globe. For many years the PZU Group has been taking legally required actions to prevent situations in which its transactions are used for unlawful purposes.

The PZU Group has in place special security procedures in the crime prevention area. In TUW PZUW the procedure formalizes the process of identification, management and securing of the Company against crime, in particular insurance crime and fraud. TFI PZU has implemented Rules and Regulations for Counteracting and Disclosing Manipulations in Financial Instruments in the Company's activity.



In Bank Pekao and five other Group companies, internal fraud management procedures have been implemented. Bank Pekao has in place a Fraud Management Process regulation which introduces an Official Instruction entitled Fraud Management Process in Bank Polska Kasa Opieki SA. The regulations define specifically the Fraud Management Policy introduced by the Bank's Management Board. The Official Instructions defines in particular:

- what a fraud is and what fraud categories may affect the Bank in the course of its activity;
- who (which organizational unit in the Bank and which employee of the unit) is obligated to take action in the event of fraud;
- how specifically should fraud be prevented (catalog of activities to be performed).

In addition, there are defined obligations and powers of the Financial Security Office in the Bank's Security Department, which performs the tasks associated with central coordination of prevention of financial crime in the Bank.

The Fraud Management Process and the Official Instruction imposed on each bank employee the obligations and powers associated with prevention of financial crime threatening the organization and the bank's clients.

The Alior Group has implemented a procedure for preventing money laundering and financing of terrorism.

In 2018 in the Pekao Group and Alior Bank there were 5,226 pending fraud cases. The value of the proceedings amounted to over PLN 16 million.

CHALLENGE

[GRI 419-1]




KNF imposed 4 penalties on PZU in the total amount of PLN 3,350,000. All of the decisions involved imposition of a penalty on PZU for failure to pay claims by the deadlines prescribed by the Act on mandatory insurance, Insurance Indemnity Fund and the Polish Office of Motor Insurance Providers. The penalties were associated with claims handled in 2008-2015. 3 decisions, including 2 pertaining to one case, are not final. PZU filed a petition with KNF for reexamination of the case and subsequently KNF lodged a cassation appeal to the Supreme Administrative Court.

Among the historical claims inspected by KNF, there were cases handled by PZU during natural catastrophes, when the number of reported claims was very high. The current claims handling process in PZU is significantly different from



the historical processes assessed by KNF, which are as much as 10 years old. During the recent storms in August 2017 PZU paid the claims within 7 days in over 90% of the cases. PZU constantly improves the claims handling processes and organization. In 2018 it implemented, among others, Internet services facilitating claims notification.

[GRI 206-1]

 In PZU there were 3 court proceedings pertaining to behaviors breaching the freedom of competition or antitrust regulations in which the organization appears as a party to the proceedings. One of the proceedings ended on 28 August 2018 with a decision obligating the Company to rectify the effects of the alleged practices breaching collective consumer interests. No penalty was imposed. One proceeding is pending against PZU Życie.

- As a result of the actions PZU has decided to change the practices in this regard through:
- accepting the termination of contracts by consumers reaching as much as three years back;
 - refunding a proportional part of the premium collected when the consumer had a double TPL insurance;
 - enabling consumers to terminate their contracts which were automatically extended when they have at the same time a TPL insurance from another insurer.

BEST PRACTICE



Act of 1 March 2018 on combating money laundering and financing terrorism (Journal of Laws 2018 Item 723) imposed new challenges on PZU. One of the basic obligations following from the new Act is the multi-dimensional assessment of the money laundering and financing of terrorism risk in PZU Życie, taking into account internal and external factors, including clients, countries or geographical areas, products, services, transactions, supply channels, business partners and Group entities. To implement the new regulations, in 2018 the company launched an AML project aimed at developing solutions allowing for implementation of the provisions of the act in business and operational processes.

In the first place, the areas which required changes to comply with the assumptions of the Act were diagnosed. Legally required internal procedures were implemented, including a group procedure addressed to all Obligated Institutions² in the PZU Group. As part of the exercise, the processes pertaining to conclusion of insurance contracts and handling of claims and liabilities were modeled. The changes pertained to 147 products offered or disbursed by PZU Życie.

Adaptation of PZU Życie to the requirements of the Act resulted in, among others, new or optimized procedures for identification and verification of clients with an enhanced money laundering risk. In addition, new representations were introduced for persons on exposed political positions, and the PZU Życie agents and employees have been trained on the new legal regulations.

² Obligated Institutions in the PZU Group are institutions from the Group subject to the AML Act. PZU is not an obligated institution, hence it is not subject to the AML Act regime, but being the parent company in the PZU Group, it adopts a group procedure for the Group entities which are "obligated institutions". The group procedure defines the standards prevailing in the PZU Group and the rules for exchange and protection of information for the needs of performance of AML activities.

6.6 Cooperation with suppliers


Transparent rules of cooperation - "we treat business partners honestly. We do not establish business contacts and we do not enter into contracts on behalf and in favor of the PZU Group in which members of our families are a party thereto. We recuse ourselves from making decisions in the matter of cooperating with entities with which our relatives collaborate. We care about having good relations with intermediaries. We do not differentiate in an unjustified manner our conditions of cooperation with them, in particular on account of the nature, form or business size of intermediaries."

"Specify whether the agreements contain pertinent clauses. If so, what is their purpose and what is their content. The clauses may pertain both the employee matters and human rights. Their description may be an example of application in practice of the policies you have adopted therefore it's good to note that the agreements contain such clauses and describe their practical implications."

Comment made during a dialogue session



BEST PRACTICE



The PZU Group, under the agreements concluded with suppliers, uses the provision: "The Contractor represents that it has familiarized itself and accepts the general corporate governance principles in PZU SA and PZU Życie SA together with the principles laid down in the Code of Best Practices for Suppliers", found at the website: <https://www.pzu.pl/files/1513378>.

Execution of the representation is an indispensable part of the proposal submitted by the supplier in the proceedings.

The PZU Group wants to promote the idea of corporate social responsibility in relations with its suppliers, cooperating only with business partners who observe human rights, act in compliance with legal regulations, in particular with regard to prevention of corruption. Suppliers cooperating with PZU Group entities should ensure safe and fair work conditions for their employees and apply the highest ethical standards and care for the natural environment. Each company that wants to cooperate with PZU and PZU Życie is required to familiarize itself with the "Code of CSR Best Practices for PZU Suppliers" and compliance with its provisions by the business partners is incorporated into the contract with PZU.

[GRI 102-9]

The PZU Group is committed to building long-term relations with suppliers based on mutual trust, respect and professionalism. In particular, we appreciate suppliers which apply proven market practices and represent the highest level of professional ethics.

The company is aware that it has material impact on the procurement market and assumes responsibility for fostering the highest business standards in its environment. Driven by care for the quality of business relations, promotion of best market practices and positive impact on the society and natural environment, it has developed a Code of CSR Best Practices for PZU Group's Suppliers.

BEST PRACTICE



Works is currently under way on the procurement platform which will offer the possibility of communicating with the suppliers electronically. Deployment is planned for July 2019.

BEST PRACTICE

Code of CSR Best Practices for PZU Group's Suppliers



"Do concluded agreements take into account provisions pertaining to rules of ethics and observance of human rights? Please specify what they pertain to and when they are located."

Comment made during a dialogue session

The Code is a collection of principles both for the PZU Group and for its all suppliers. It is a material criterion for qualification and assessment of potential suppliers from the perspective of observance of human rights, natural environment protection, professional ethics and personal data protection.

Human rights

The PZU Group conducts business activity observing generally prevailing provisions of law and respecting human rights. The PZU Group attains this objective through confirming these rules in its procurement policy, information protection procedures, occupational safety and health procedures, instructions and internal guidelines of the PZU Group.

Natural environment

The PZU Group is committed to limit the negative effects of its activity on the natural environment through implementation of environmental initiatives, engaging employees in environmental protection efforts, and expects that each group supplier complies the same environmental protection principles, in particular as regards consumption of raw materials and natural resources, consumption of paper and appropriate waste management.

Professional ethics

The PZU Group's professional ethics reflects the vision and values that the company pursues on a daily basis. These values define the standards in daily operations and are aimed at supporting the strategic vision of development of the PZU Group. Individual companies have in place internal procedures and policies for prevention of corruption, conflict of interest and disclosure of confidential information.

GDPR

The PZU Group ensures the security of its data and protection of personal data of its clients. It understands the complexity of the obligations following from the GDPR (General Data Protection Regulation) and makes sure all of its processes are compliant with the Regulation and local personal data protection regulations. The PZU Group expects an equally mature approach from its business partners.

BEST PRACTICE



Purchases in PZU and PZU Życie are executed according to the following flow:

- Identification of the purchasing requirement.
- Notification of the substantive unit (if there is no substantive unit assigned to the purchase area, this step is omitted).
- Notification to the Purchasing Department.
- Implementation of the prevailing agreement or purchasing procedure (tender, negotiations, unconstrained purchase procedure, RFI).
- Signing of the contract (only in the case of a purchasing procedure).
- Execution of the purchase.
- Assessment of the contract (only for existing contracts with the supplier).

In 2018 the Purchasing Department completed 326 purchasing procedures (tender, negotiations, unconstrained purchase procedure, RFI) in PZU and PZU Życie. This was 6% more than in 2017.

Number of contracts concluded in 2018 in PZU and PZU Życie exceeded 11.6 thousand.

6.7 Risk management, taking into account non-financial risk

PZU Group's policies [UoR]

[GRI 103-2]

Risk management is one of the key internal processes in the PZU Group. The risk management system in place in PZU is based on three independent lines of defense. Its framework is outlined by the standards prevailing in the insurance sector and the guidelines laid down in regulatory regulations. The overriding objective of the risk management policy pursued in the PZU Group is to ensure early identification and adequate management of material risks associated with the company's activities. The non-financial risk management processes are part of a broader risk management process in the Group.

BEST PRACTICE



"Are the risks managed centrally or in individual companies? Are the risks defined taking into account the specifics of the segments (insurance, health, investments, banking)?"

Comment made during a dialogue session

The main elements of the PZU Group's risk management system have been implemented to ensure sectoral consistency and the execution of the various entities' strategic plans and the overall PZU Group's business objectives. PZU exercises supervision over the PZU Group's risk management system on the basis of cooperation agreements entered into with other Group entities and the information provided thereunder.

Risk is managed at the PZU Group level on an aggregate basis, especially with respect to capital requirements. Risk Management Strategy is the overriding document. On the Group level, additionally policies for managing individual risk categories have been developed for operational, market, credit and actuarial risks. The risk management rules applicable to the PZU Group's subsidiaries include a recommendation issued by PZU (the parent) regarding the organization of the risk management system in insurance sector and banking sector subsidiaries. In addition,

guidelines regulating the various risk management processes in the PZU Group entities are also issued from time to time (this pertains to, among others, banks).



The Alior Bank Group has implemented the Alior Bank Group Risk Management Policy for the subsidiaries. Additionally, the Risk Management Policy, Credit Risk Management Policy, Asset and Liability Management Policy for 2018-2020, Model Risk Management Policy and Operational Risk Management Policy have been introduced.

The Pekao Group has adopted Principles of Financial Risk Management in the Bank Pekao Group. In addition, in individual companies, internal risk management procedures have been implemented. In Bank Pekao the Management Board adopted and the Supervisory Board approved the ICAAP Policy. It defines the key elements of the overall approach to risk associated with the activity conducted by the Bank and following from the adopted business strategy on the level of the Bank and the entire Group. It also defines the risk types and the criteria for classifying risk as material, point to the objectives and the related risk management principles, target risk structure associated with the conducted activity and accepted risk level and structure, defined under the adopted risk appetite. As regards operational risk, over half of the companies have implemented their internal procedures which define the operational risk management system, including division of roles and responsibilities in the risk management process, internal control process, tools and reporting system.

Alior TFI has adopted a number of internal policies associated with the type of its activity. In addition to the Risk Management Policy, it has implemented a Market Risk Management Policy, which pertains to the portfolios of the funds managed by Alior TFI. It defines the procedures for assessment of exposure of each of the mutual funds managed by the TFI to market risk, including the rules for identification, measurement, assessment and reporting of market risk for the Funds and division of roles and responsibilities in the market risk management process. It has also introduced a Liquidity Risk and Credit Risk Management Policy.






"We are interested in an in-depth description of the ESG risk management in the PZU Group. What non-financial risks does the company face and does it manage each of them? How does it classify individual risks and which stakeholders do they affect? "

Comment made during a dialogue session


As part of its activities PZU classifies the following risks to which the PZU Group is exposed as material: actuarial risk, market risk, credit risk, concentration risk, operational risk, model risk and compliance risk.

The non-financial risks are described primarily in the group of operational risks, compliance risks and actuarial risks, which reflect the product risks associated with catastrophic events, in particular resulting from climate changes, such droughts, floods and cyclones.

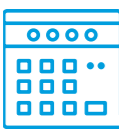
Risk categories in the PZU Group:




Operational risk
the risk of a loss resulting from improper or erroneous internal processes, human activities, system failures or external events




Model risk
the risk of incurring financial losses, incorrectly estimating data reported to the regulatory authority, taking incorrect decision or losing reputation as a result of errors in the development, implementation or application of models




Actuarial risk
the likelihood of a loss or an adverse change in the value of liabilities under the existing insurance contracts and insurance guarantee agreements, due to inadequate assumptions regarding premium pricing and technical provisions




Compliance risk
the risk that the PZU Group may infringe on the law, internal regulations and adopted standards of conduct, including ethical standards, which results or may result in being subject to legal sanctions, or incurring financial loss or else loss of reputation or credibility




Market risk
the risk of a loss or an adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, credit spread, as well as value of liabilities and financial instruments



Counterparty default risk
the risk of a loss or an adverse change in the financial situation resulting from fluctuations in the reliability and creditworthiness of issuers of securities, counterparties and all debtors, materializing in the form of the counterparty's default on a liability



Liquidity risk
the possibility of losing the capacity to settle, on an ongoing basis, the Company's liabilities to its clients or business partners. The aim of the liquidity risk management system is to maintain the capacity of fulfilling the Company's liabilities on an ongoing basis. The Company maintains the required level of investment portfolio liquidity



Credit and concentration risk
risk of a loss or an unfavorable change in the financial standing resulting from fluctuations in the trustworthiness and creditworthiness of the issuers of securities, counterparties and all debtors, materializing by the counterparty's default on a liability or an increase in credit spread

The risk management process consists of the following stages:

Identification

Begins with the proposal to commence the creation of an insurance product, acquire a financial instrument, change the operating process, as well upon the occurrence of any other event which potentially results in a risk. The identification process takes place until the expiry of the liabilities, receivables or activities related to the given risk. The identification of market risk involves recognising the actual and potential sources of such risk which are then identified as to their relevance.

Risk measurement and assessment

Risk measurement and assessment are performed depending on the characteristics of the given risk type and the level o its relevance. The risk assessment is performed by specialised units. In every company, the risk unit is responsible for development of risk assessment tools and risk assessment process to the extent which specifies risk appetite, risk profile and risk tolerance levels.

Risk monitoring and control

This involves ongoing reviews of any variances from the assumed parameters, namely limits, thresholds, plans, values from the previous period, recommendations and guidelines issued.

Reporting

Allows efficient risk communication and supports risk management at various decision-making levels

Management actions

These activities encompass among others risk mitigation, risk transfer, risk avoidance, specifying risk appetite, acceptance of risk tolerance levels, as well as tools which facilitate such activities, i.e. thresholds, reinsurance plans and reviews of underwriting policy.

[GRI 102-15] Key non-financial information

From the perspective of the impact on issues related to social, employee, environmental, human rights and prevention of corruption, compliance risk and operational risk are of special importance. In addition, the PZU Group identifies environmental risk in the process of financing entities.

The PZU Group has implemented an operational risk management system under which it prevents operational risk incidents and reduces operational losses. The operational risk management principles and structure in PZU are based on the adopted Operational Risk Management Policy. Operational risk is controlled on multiples levels in the organization. Supervision over the operational risk management system is

exercised by an independent, dedicated unit within the Risk Department structures.

The key tool used to monitor operational risk is the Key Risk Indicator system, covering areas with special exposure to operational risk. The indicators are subject to regular reviews, at least once a year.

As part of the compliance risk and operational risk, employee, environmental, social, ethical and prevention of corruption issues have been identified. Below is a list of key issues.

Employees and respecting human rights

Risk category	Risk description	Description of the approach to risk management
The risk associated with the difficulty of hiring qualified staff	Difficulties of hiring qualified staff pertain, in particular, to areas characterized by narrow specialization and areas where candidates with unique competences are sought.	The risk is mitigated thanks to the high PZU brand awareness among labor market participants, a highly valued range of fringe benefits, and implementation of candidate searches in alternative sources, such as social media and industry portals.
The risk associated with quickly changing regulations and necessity to update the knowledge about prevailing regulations and obligatory operating methods	It is increasingly necessary to update on an ongoing basis the knowledge about prevailing regulations and obligatory operating methods, e.g. the new responsibilities regarding verification of competences associated with the requirements of the insurance distribution act and introduction of operating methods in the form of Chinese walls in connection with inclusion of banks into the PZU Group. Verification of the competences and transfer of knowledge on the prevailing standards have to cover a large number of employees over a short period of time.	Obligatory training courses are organized in the PZU Group, mainly in the form of e-learning, allowing for efficient transfer of knowledge in a short time to all employees to which it pertains. Training courses are combined with tests verifying their effectiveness and allow for monitoring whether the information has reached the target group.
The risk of failure to respect employee rights by unequal treatment of employees, discrimination of employees and cases of mobbing and discrimination	Actions and behaviors pertaining to an employee or against an employee, involving persistent and lasting harassment or intimidation of an employee, impairing their professional self-esteem, causing or aimed at humiliating or ridiculing an employee, isolating them or eliminating them from the team of associates.	No actions or behaviors having the features of mobbing are tolerated by the employer in any way. The approach to prevention of mobbing and discrimination is described in section 6.3 Diversity and respecting human rights.

Risk category	Risk description	Description of the approach to risk management
Risk related to the lack of effective dialogue with the trade unions (collective dispute)	A collective dispute of employees with the employer may pertain to terms of work, pay or social benefits and rights and freedoms of trade union employees or other groups entitled to association in trade unions.	The employer has appointed a Social Dialogue Team in the HR Management Department. The team is supervised directly by the Director of the HR Management Department/Managing HR Director in the PZU Group. The team is composed of employees with many years of experience in social dialogue, specialized in collective labor law. The social dialogue policy is shaped directly by the company's Management Board and the Managing HR Director in the PZU Group. The Social Dialogue Team employees conduct talks and participate in dedicated meetings with trade unions and respond on an ongoing basis to the needs of social partners. Meetings in the company's head office are held on average every two weeks and last minimum two days.
The risk of overrunning the personnel budget	The need to hire an employee for an amount higher than budgeted in connection with lack of qualified employees in the labor market. Unbudgeted employee hiring.	PZU Group financial planning procedure in the PZU Group. Looking for financing sources for such hiring or, as a last resort, using the central budget reserve. Due to its limited size, there is a risk of overrunning the budget.
Risk of failure to ensure a safe and healthy work environment	Exposing employees to accidents at work.	To prevent accidents the PZU Group focuses on increasing the safety awareness among employees. To develop employee awareness, a broad range of methods is used, including among others, stationary and e-learning courses, dedicated broad safety campaigns, and knowledge contests for employees on internal procedures and safety principles.



Products and client relations

Risk category	Risk description	Description of the approach to risk management
Compliance risk in the marketing communication pursued by PZU	Conducting marketing activities is, by definition, associated with the risk of non-compliance with generally prevailing laws and guidelines of state authorities, and reputational risk. Therefore, marketing materials need to be verified before publication for the perspective of, among others, transparency, truthfulness and accuracy of presented information.	The Marketing Department uses the best practice of verification of planned marketing messages with other PZU units, in particular the Legal Department and Compliance Department (for compliance risk, including in particular with regard to compliance with the law – risk of misleading the consumer, use of messages infringing the addressees’ interests) and pertinent product departments (consistency of the message with the facts – risk of misleading the consumer). To ensure reliable and ethical communication, the Group has introduced principles for issuing opinions on marketing activities and internal and corporate communication activities, and all marketing activities are conducted on the basis of the Code of Ethics in Advertising. More information about responsible marketing communication can be found in section 2.3 Responsible sales.
Misselling risk	The risk associated with unfair communication with clients as regards PZU Group’s offers through unreliable or inaccurate description of the risks associated with PZU Group’s offers.	To prevent misselling, the PZU Group has implemented Policies for the fair design and sale of financial products and services which have been described in more detail in section 2.3 Responsible sales. Additionally, addressing the requirements of the PRIIP Regulation ³ , the PZU Group has developed for all products subject to the regulation documents covering the key information (Key Information Documents – KID). The KID, prepared individually for each product, is aimed at facilitating comparison of the products of different companies and supporting clear communication of information that is important to the client.
The risk pertaining to disclosure of personal data and data subject to insurance secrecy to unauthorized persons		PZU and PZU Życie have implemented principles for client identification and provision of information depending on the client’s requests. In addition, access to personal data and data subject to insurance secrecy is granted only to authorized persons using the dedicated system CSZBI. Additionally, PZU has implemented a DLP class monitoring system which comprises appropriate rules minimizing the risk of disclosure of information, including personal data, to unauthorized persons.

³ Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based products

Corruption prevention area

Risk category	Risk description	Description of the approach to risk management
Risk of abuse in the PZU Group	The risk associated with inappropriate implementation in the Group’s structure of anti-corruption procedures, including ensuring protection for whistleblowers.	There is zero tolerance for any form of corruption in the PZU Group. Therefore, the Group companies have in place corruption prevention policies and rules for acceptance and giving of gifts. Additionally, PZU and PZU Życie have implemented an Anti-Corruption Program which defines examples of corruption and division of responsibilities to control the risk. More information in this regard can be found in section 6.5 Transaction security.
The risk associated with insurance crime and frauds	The risk associated with inappropriate design and implementation of solutions in the area of compliance and anti-fraud structures in the organization.	The PZU Group has in place special security procedures in the crime prevention area. Detailed information is presented in section 6.6 Cooperation with suppliers.

Protection of natural environment

Risk category	Risk description	Description of the approach to risk management
		The PZU Group exerts limited direct impact on the environment due to the type of its business activity in the financial services sector. The company monitors the consumption of energy and environmental resources (energy, fuels, water, paper). PZU is aware, however, of its indirect impact on the natural environment through the actions of its clients, especially those who extensively use natural resources in their operations. However, the company does not carry out any precise analyses of such impact.
		PZU has in place internal procedures regarding business partners, which required compliance with environmental norms and standards. PZU has developed a Code of CSR Best Practices for PZU Suppliers and compliance with its provisions by the business partners is incorporated into the contract with PZU.
		In its insurance activity PZU uses a clause of extended liability for losses arising in connection with the release of hazardous substances into the air, water or soil and the costs associated with the removal, treatment and disposal of any pollutants. PZU also offers insurance cover for clients and their property in the case of natural disasters.
The risk of pollution of natural environment and risk of natural disasters	The risk associated with failure to comply with environmental norms and standards by the company, its suppliers and business partners and prevention of the effects of natural disasters.	As part of its products, PZU also provides an insurance guarantee for performance of obligations on account of rectification and remedying of the negative effects for the environment and damages to the environment. The guarantee allows clients to obtain the required permits, among others: <ul style="list-style-type: none">• decision approving the hazardous waste management program;• permit to conduct waste recycling and neutralization activity;• permit to construct waste landfills;• cover for negative effects in the environment (e.g. river water pollution);• permit for cross-border transport of waste.

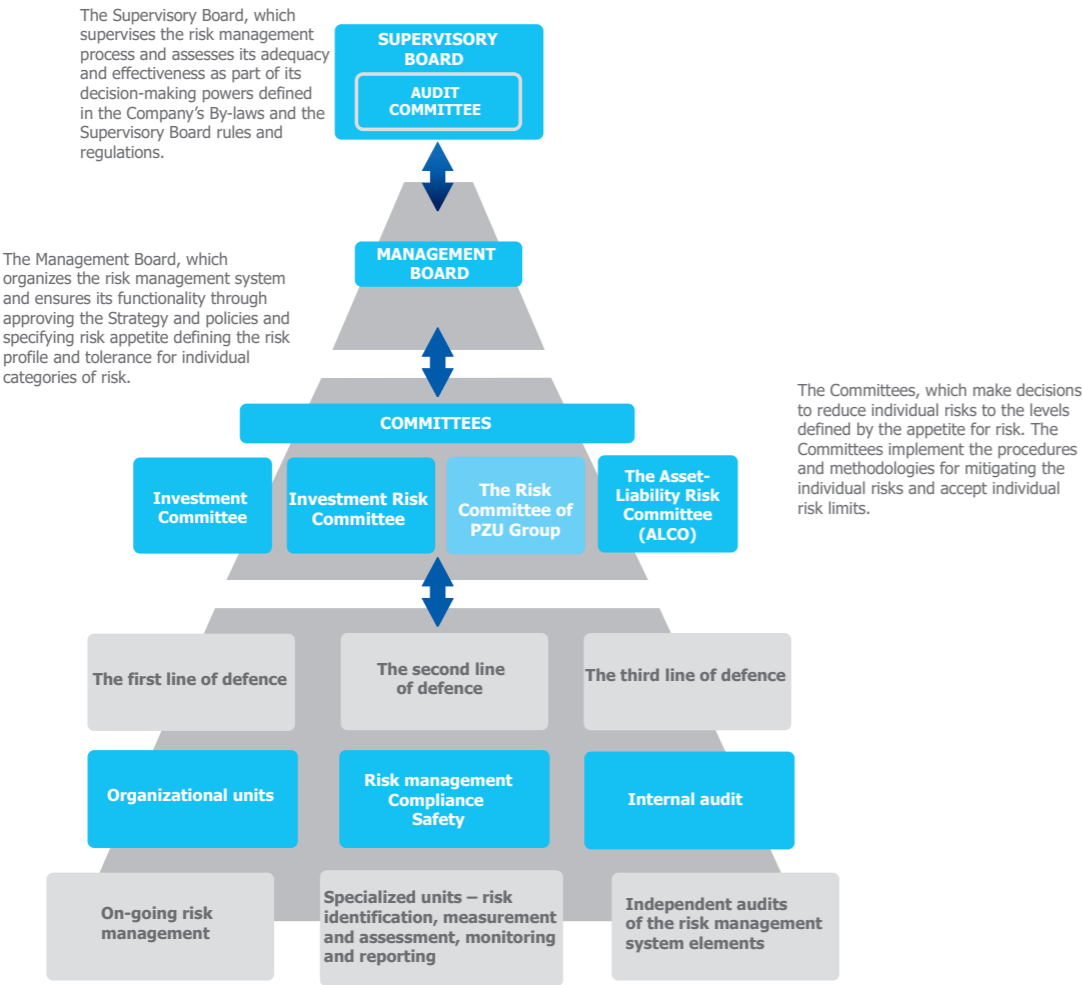


Risk management responsibility

The management boards of PZU Group entities are responsible for fulfilling their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for the implementation of an adequate and effective risk management system.

Supervision over the risk management systems in the various financial sector entities is exercised by supervisory boards. PZU designates its representatives to the Supervisory Boards of its subsidiaries, including in particular the Alior Bank and Bank Pekao Group. In entities outside the financial sector, risk management is the direct responsibility of the Management Board of such companies.

Chart of the organizational structure for the risk management system



7. About this report

The PZU Group Integrated Report comprises data for the period from 1 January 2018 to 31 December 2018 and is the second report of this type prepared by the Group. This is part of the overall strategy aiming to understand and improve CSR results and cultivate relations with key stakeholders. [\[GRI 102-50\]](#)



"The report has been prepared in accordance with the non-financial reporting requirements laid down in the amended Accounting Act of 29 September 1994 and on the basis of the international reporting standard Global Reporting Initiative (GRI Standards) in the core version. These guidelines constitute key frameworks supporting a uniform approach to reporting and facilitate the highest possible level of transparency and consistency required for the information to be useful and credible to the markets and society. Additionally, the report preparation methodology included the International Integrated Reporting Guidelines of the Integrated Reporting Council, IIRC."

Magdalena Komaracka, PZU Investor Relations Director

In accordance with the requirements of the Accounting Act, the PZU Group's Integrated Report for 2018 constituting a non-financial information report and consolidated data pertaining to the PZU Group and PZU, its parent company in line with the structure of the organization included in the Consolidated Financial Statements for the year ended 31 December 2018. The data from PZU Życie, Alior Bank Group, Bank Pekao Group, Link4, AAS Balta, AB Lietuvos draudimas and PrJSC IC PZU Ukraine are consolidated and presented in the PZU Group data. Alior Bank and Bank Pekao, in turn, have decided to present separately, as part of their Management Board Activity Reports, separate disclosures on non-financial data, as public interest entities. Alior presented them also in

the consolidated form. The Health Area (PZU Zdrowie as the parent company), Armatura Kraków and PZU CO (CIG) are not public interest entities hence they are not subject to separate regulatory obligations regarding disclosure of non-financial data. Information regarding these companies and the other PZU Group companies has been incorporated and presented in the consolidated data showcased in the report. [\[GRI 102-45\]](#)

In accordance with the requirements of the Accounting Act, the Report on the PZU Group's non-financial information in 2018 encompasses non-financial information and consolidated data pertaining to the PZU Group and PZU, its parent company in line with the structure of the organization included in the Consolidated Financial Statements for the year ended 31 December 2018.

In line with the approach stemming from the principle of materiality, the various pieces of non-financial information have been presented to the extent necessary to evaluate the development, performance and standing of the PZU Group, and relatively less space has been devoted to smaller entities whose impact on the overall depiction of the PZU Group is minor or simply marginal. [\[GRI 102-46\]](#)

During defining the substantive part of the report, in accordance with the international guidelines, we have carried out a process comprising the following stages:

- **Identification** – selection of the key issues regarding corporate social responsibility and conducted activity based on an analysis of internal documents, analysis of external publications and press information on the Group, and review of industry reports.
- **Prioritization** – to identify the key issues, a dialogue session was held with PZU Group's key stakeholders. The session was attended by the Group's external stakeholders, among others, representatives of national administration, non-governmental organizations, European institutions, investment associations and business partners. The Group's key achievements as regards responsible business and sustainable development were summed up, the PZU Group non-financial data report for 2017 was evaluated, and the stakeholders' expectations as regards corporate social responsibility activities undertaken by the PZU Group were defined. The dialogue session was held on 17 December

2018 in Warsaw based on the international dialogue standard AA1000SES.

- **Validation** – during validation workshops, attended by PZU Group representatives, the final list of priority issues was confirmed, taken into account in the 2018 report.

Based on the results of the analysis carried out during the Identification stage, the key issues specified during the dialogue session and internal workshops, 14 important topics from 6 areas of responsibility were defined.

[\[GRI 102-47; 103-1\]](#) Topics identified as being material

Management

Plans and strategy for the future

Shaping of the ethical structure and corporate governance

Description of the company's policies

Description of due diligence procedures

Counteracting corruption

Communication transparency

Non-financial risk management

Description of management of individual risk groups

Environment

Transparency and communication of the decisions made by the Group

Limitation of the negative environmental impact

Social impact

Communication of initiatives associated with assistance support

Legislative patronage

Employee issues and human rights

Employee structure

Initiatives aimed at prevention of discrimination

Contractual clauses pertaining to respecting human rights

Presentation of actions ensuring equality of employment opportunities

BEST PRACTICE



"Link4 and PZU are two completely different companies, and so are Pekao and Alior Bank, therefore it is worth showing which processes and standards are the same and for which companies, and which are managed individually."

Comment made during a dialogue session

Addressing the expectation expressed during the dialogue session, at the beginning of each chapter we tried to present the management method and the policies and processes that are consistent for the Group. We also highlighted the practices specific to individual entities.



7.1 GRI content index

[102-55]

GRI Standard number 2016	Number of the indicator	Indicator	Page number
Reporting assumptions and bases			
GRI 101		Reporting assumptions and bases	
Profile indicators			
Organization profile			
GRI 102	102-1	Name of the organization	8
GRI 102	102-2	Description of the organization's activity, primary brands, products, and/or services	8
GRI 102	102-3	Location of organization's headquarters	PZU Head Office Warsaw, al. Jana Pawła II 24
GRI 102	102-4	Location of operating activities	9
GRI 102	102-5	Organization's form of ownership and legal form	95
GRI 102	102-6	Serviced markets	9
GRI 102	102-7	Scale of the reporting organization	8, 14
GRI 102	102-8	Data pertaining to employees and other persons working for the organization	53-54
GRI 102	102-9	Description of the supply chain	109

GRI Standard number 2016	Number of the indicator	Indicator	Page number
GRI 102	102-10	Significant changes during the reporting period regarding size, structure, form of ownership and value chain	The following changes transpired in the structure of the PZU Group in 2018 and up to the date of publication of this report: <ul style="list-style-type: none">in January 2018 PZU Zdrowie acquired shares in Centrum Św. Łukasza, while in December 2018 – Elvita acquired shares in SZOZ Multimed. In January 2019 – PZU Zdrowie acquired shares in Alergo-med;in May 2018 PZU PTE and Pekao PTE entered into a business transfer agreement encompassing i.a. the operations of Pekao OFE and Pekao DFE, involving the management of Pekao OFE and the management of Pekao DFE. an Organized Part of the Business (OPB) was spun off from PZU CO and contributed to Pekao Financial Services (PFS) held by Bank Pekao in June 2018. As a result of this transaction PZU subscribed for a 33.5% equity stake in PFS
GRI 102	102-11	Explanation of whether and how the precautionary principle is addressed by the organization.	98-99, 105-106
GRI 102	102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	67
GRI 102	102-13	Membership in associations and organizations	28
Strategy			
GRI 102	102-14	Experience of senior management	6
GRI 102	102-15	Description of key impacts, opportunities and risks	114-118
Ethics and integrity			
GRI 102	102-16	Organization's values, code of ethics, principles and norms of behavior.	92-94
GRI 102	102-17	Internal and external mechanisms making it possible to obtain advice regarding the behaviors in ethical and legal issues and issues associated with the organization's integrity	105-106
Organizational governance			
GRI 102	102-18	Organization's supervisory structure along with the commissions that report to the highest supervisory body	96-97

GRI Standard number 2016	Number of the indicator	Indicator	Page number
Stakeholder engagement			
GRI 102	102-40	List of stakeholder groups engaged by the reporting organization	26-28
GRI 102	102-41	Employees subject to collective agreements	The indicator was not presented in the report due to sensitivity of the data.
GRI 102	102-42	Basis for identification and selection of stakeholders engaged by the organization	26-28
GRI 102	102-43	Approach do engaging stakeholders, including the frequency of engagement by stakeholder type and group	26-28
GRI 102	102-44	Key issues and concerns raised by stakeholders and the organization's response, also by reporting them	All the issues raised by stakeholders during the dialogue session held during the process of drafting this report were stated as quotations in this publication.
Reporting practice			
GRI 102	102-45	Recognition in the report of the business units recognized in the consolidated financial statements	5, 120
GRI 102	102-46	Process of defining the contents of the report and aspect boundaries	120-121
GRI 102	102-47	Identified key topics	121
GRI 102	102-48	Explanation of the effects of any restatements of information provided in earlier reports and the reasons for such restatements and their impact (e.g. mergers, acquisitions, change of underlying year/period, nature of activity, measurement methods)	No restatements were applied with regard to the information provided in earlier reports.
GRI 102	102-49	Changes in reporting	There were no significant changes from the previous report concerning the scope and extent of the report The method of calculation of environmental indicators for all Group companies changed, hence comparative data for the previous period were not presented.
GRI 102	102-50	Reporting period	1 January 2018 to 31 December 2018
GRI 102	102-51	Date of publication of the last report (if published)	The last report was published on 15 March 2018 an pertained to 2017 data
GRI 102	102-52	Reporting cycle	Annual

GRI Standard number 2016	Number of the indicator	Indicator	Page number
GRI 102	102-53	Contact details	Aleksandra Jakima-Moskwa Investor Communication Coordinator (non-financial information) daneniefinansowe@pzu.pl
GRI 102	102-54	Specification of whether the report has been prepared in accordance with the GRI Standard in the Core or Comprehensive option	The report has been prepared in the Core version
GRI 102	102-55	GRI index	122-127
GRI 102	102-56	The policy and the current policy concerning third party verification of the report.	The report is not subject to third party verification
Approach to management			
GRI 103	103-1	Explanation of topics identified as material, specifying limitations	121
GRI 103	103-2	Approach to management and its elements	23, 33, 43, 50, 52, 56, 58, 60, 66, 81, 92-94, 98-100, 107
GRI 103	103-3	Evaluation of the approach to management	23, 52, 92-93, 98-99
Thematic indicators:			
Economic topics:			
Economic results			
GRI 201	201-1	Direct economic value generated and distributed (taking into account revenues, operating expenses, employee salaries, subsidies and other investments for communities, retained profits and disbursements for capital owners and state institutions)	14
Przeciwdziałanie korupcji			
GRI 205	205-1	Actions assessed in terms of threats associated with corruption	99
GRI 205	205-2	Communication and training on anti-corruption policies and procedures in the organization	99
GRI 205	205-3	Confirmed cases of corruption and actions taken	99

GRI Standard number 2016	Number of the indicator	Indicator	Page number
Violating the rules of free competition			
GRI 206	206-1	Legal steps taken against the organization for cases of violating the principles of free competition and monopolistic practices	108
Environmental topics			
Materials			
GRI 301	301-1	Raw materials/materials used by weight and volume	83
Energia			
GRI 302	302-1	Energy consumption by the organization, taking into account the types of raw materials	82-83
GRI 302	302-4	Reduction of consumption of energy	82
Compliance with environmental regulations			
GRI 307	307-1	Cash value of penalties and total number of non-financial sanctions for non-compliance with the law and/or regulations on environmental protection	81
Social topics			
Employment			
GRI 401	401-1	Newly employed employees and resignations	54-55
Occupational safety and health			
GRI 403	403-2	Rate for injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	58-59
Education and training			
GRI 404	404-1	Average number of hours of training per year per employee	61
GRI 404	404-2	Managerial skill development and continuing education programs supporting continuity of employment of employees and facilitating the retirement process	62-63
GRI 404	404-3	Percentage of employees subject to regular assessments of work quality and professional development reviews, by gender and employment category	62

GRI Standard number 2016	Number of the indicator	Indicator	Page number
Diversity and equal opportunity			
GRI 405	405-1	Composition of supervisory bodies and employees broken down into employee groups by gender, age and other diversity factors	100-102
Counteracting discrimination			
GRI 406	406-1	Total number of discrimination cases and corrective measures taken in this regard	103
Marketing and labeling products and services			
GRI 417	417-1	Internal requirements concerning the labeling of products and services and information regarding them	45
GRI 417	417-2	Incidents of non-compliance with regulations and voluntary codes concerning the labeling of products and services and information regarding them	44-45
GRI 417	417-3	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	44-45
Client privacy protection			
GRI 418	418-1	Justified complaints regarding breaches of client privacy and data loss	50-51
Compliance with social and economic regulations			
GRI 419	419-1	Non-compliance with the law and socio-economic regulations	103, 107-108
Sector-specific aspect: local communities			
G4-FS13		Access points to sparsely populated areas that are less economically developed	46
G4-FS14		Initiatives undertaken to improve access to financial services for disfavored persons	46
G4-FS15		Policies for the fair design and sale of financial products and services	43
G4-FS16		Initiatives to enhance financial literacy by type of beneficiary	64



7.2 Table of compliance with the Accounting Act

Requirements of the Accounting Act regarding disclosure of nonfinancial data	Has the requirement of the Act been satisfied	Chapter
Description of the business model of the entity and key performance indicators	Yes	Chapter 1.2. Main consolidated financial data of the PZU Group
Description of management of the risks identified as material	Yes	Chapter 6.7. Non-financial risk management
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to counteracting corruption	Yes	Chapter 6.5. Preventing corruption and conflict of interest
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to observing human rights	Yes	Chapter 6. Ethical conduct of business
Description of due diligence policies and procedures and indicators associated with topics important for relations with consumers/clients and quality	Yes	Chapter 2. Responsible products
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to employee issues	Yes	Chapter 4. Employee issues
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to natural environment	Yes	Chapter 5. Our impact on the natural environment
Description of due diligence policies and procedures and indicators associated with the activity of the entity with regard to social issues	Yes	Chapter 3. The impact our actions have on society

Report on non-financial information of the PZU Group and PZU for 2018 has 129 consecutively-numbered pages.

Signatures of PZU Management Board Members

Paweł Surówka – President of the Management Board

Roger Hodgkiss – Management Board Member

Tomasz Kulik – Management Board Member

Maciej Rapkiewicz – Management Board Member

Małgorzata Sadurska – Management Board Member

Warsaw, 12 March 2018